

Table with exchange rates for various currencies like Algeria, Australia, Bahrain, etc.

ESTABLISHED 1887

Iran Hits Ship, Defying Reagan

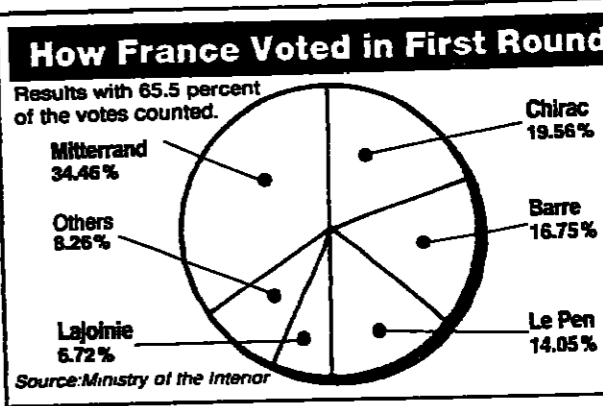
MANAMA, Bahrain — An Iranian gunboat fired a rocket into a Saudi Arabian-owned tanker in the Strait of Hormuz on Sunday, hours after President Ronald Reagan warned Iran to stop attacking neutral ships in the region, Gulf shipping sources said.



Jacques Chirac, far left, and Raymond Barre, who ran second and third in the first round of the French election, joined forces for the second round against the incumbent, Francois Mitterrand.

Mitterrand and Chirac Advance to 2d Round

By Joseph Fichett International Herald Tribune PARIS — President Francois Mitterrand, a Socialist, will face Prime Minister Jacques Chirac, a Gaullist, in a runoff presidential election May 8, computer projections by the Ministry of the Interior showed Sunday.



Containing the Gulf War Proves Elusive

By Patrick E. Tyler Washington Post Service KUWAIT — The naval clash last week between Iran and the United States — the most serious confrontation between the two nations since Americans were seized in their embassy in Tehran nine years ago — has left Western and Arab government officials deeply puzzled and apprehensive, fearing that the Gulf War is becoming more difficult to contain.

11 Gendarmes Freed; Paris Moves on Kanaks

PARIS — Defense Minister Andre Giraud of France said Sunday that 11 of 27 paramilitary policemen taken hostage Friday in the South Pacific territory of New Caledonia have been freed.

Study Sees Fatal Flaws in SDI

By R. Jeffrey Smith Washington Post Service WASHINGTON — President Ronald Reagan's space-based missile defense system would "suffer a catastrophic failure" the first time it was used to protect against a Soviet nuclear attack, a nonpartisan congressional report has concluded.

Bush Seems Pragmatic On Economy

By Peter T. Kilborn New York Times Service WASHINGTON — After a primary campaign in which his economic proposals consisted mainly of support for the programs instituted by President Ronald Reagan, Vice President George Bush has gathered advisers who are helping him prepare proposals that imply a more moderate, pragmatic agenda.

Low Dollar Makes U.S. a Retail Mecca

By Sharon Warren Walsh Washington Post Service NEW YORK — Even if you did not speak Italian, it was easy to figure out what the five tourists from northern Italy were shopping for in the South Street Seaport on a free afternoon.

Modest Result Foreseen From OPEC Meetings

By Robert J. McCartney and Martha M. Hamilton Washington Post Service The unusual meeting scheduled for Tuesday between OPEC and non-OPEC nations has raised the possibility that the oil cartel could regain and extend its leverage on world oil markets and drive oil prices up. Or, if the members of the Organization of Petroleum Exporting Countries fail to reach an agreement with their non-OPEC competitors, that could send oil prices tumbling.

Afghan Rebels Take 2 Towns

ISLAMABAD, Pakistan (Reuters) — Muslim guerrillas said Sunday they had occupied two towns in southern Afghanistan near the border with Pakistan after government troops abandoned them.



A French gendarme on guard Sunday as colleagues use an armored vehicle to destroy a roadblock set up by separatists near Noumea.

Kiosk

Paul Higdon, head of Interpol's narcotics division, says the drug trade in Europe is swelling. Page 2.

General News

Slit separatists and the Indian government are preparing for a showdown. Page 5. Business/Finance GM is dropping Firestone as a tire supplier for its new cars and trucks. Page 15. Sports Baltimore ran its record losing streak to 18 games, falling 3-1 to Kansas City. Page 21.

MONDAY Q&A

Each fits a conventionally conservative mold, with a traditional Republican emphasis on balancing the budget, while the tax-cutting supply-side economists who helped devise Mr. Reagan's initial policies have minor roles with Mr. Bush.

Low Dollar Makes U.S. a Retail Mecca

The Bloomingdale's store on Third Avenue in New York is a popular stop for tourists taking advantage of the weak dollar.

See BUSH, Page 2

See SDI, Page 2

See OPEC, Page 19

Vertical sidebar text on the left edge containing various small advertisements and notices.



BRIEFS

Restrictions in Territories  
Israel allowed Palestinians to  
leave their homes on Sunday  
time in a week.  
Restrictions imposed last week  
there had been "relative calm"  
followed the April 16 assassination  
military commander of the PLO  
known as Abu Jihad.  
of the 100,000 laborers  
in Israel on Sunday. Curfews for  
for a week were lifted, as well as  
Palestinians.

U.S. on Soviet Talks

The U.S. secretary of state, George  
Shultz, is to address North Atlantic  
Treaty Organization members in  
Washington in two days of meetings  
to begin next month.  
Shultz said that his talks in Moscow, which  
had not produced desired results,  
was reached.  
on Saturday after visiting Kiev and  
other cities. In Kiev, capital of the  
Ukraine, he attended a cathedral service  
of religious faith when he was  
of Georgia, the local pastor said.

Philippines Official

Philippine officials tried to ambush the  
U.S. Subic Bay Naval Station  
bodyguards, officials said.  
A fire Saturday on a motorcade  
approached his residence in Manila,  
less than 70 kilometers (40 miles)  
authorities said.

Pretoria Protest

More than 500 people demonstrated  
against anti-apartheid action with  
and alleged torture of children.

Detainees

Member of the Detainees Family  
Association said that 40 percent of the people  
under and included some as young  
as 10 to 3,000 now under detention.

Smokers

Protesters in London  
official said Saturday.  
routine physical examination and  
which showed any problems.

Peaceful

A peaceful anti-nuclear rally was  
held in London on Saturday.  
organizers said.  
leftist rebels were killed Saturday  
post near the town of Corinto in  
Nicaragua.

EL UPDATE

Smokers Go Wild

Protesters in London  
official said Saturday.  
routine physical examination and  
which showed any problems.

International Flight

International flight  
dispute was said to be  
dispute was said to be  
dispute was said to be

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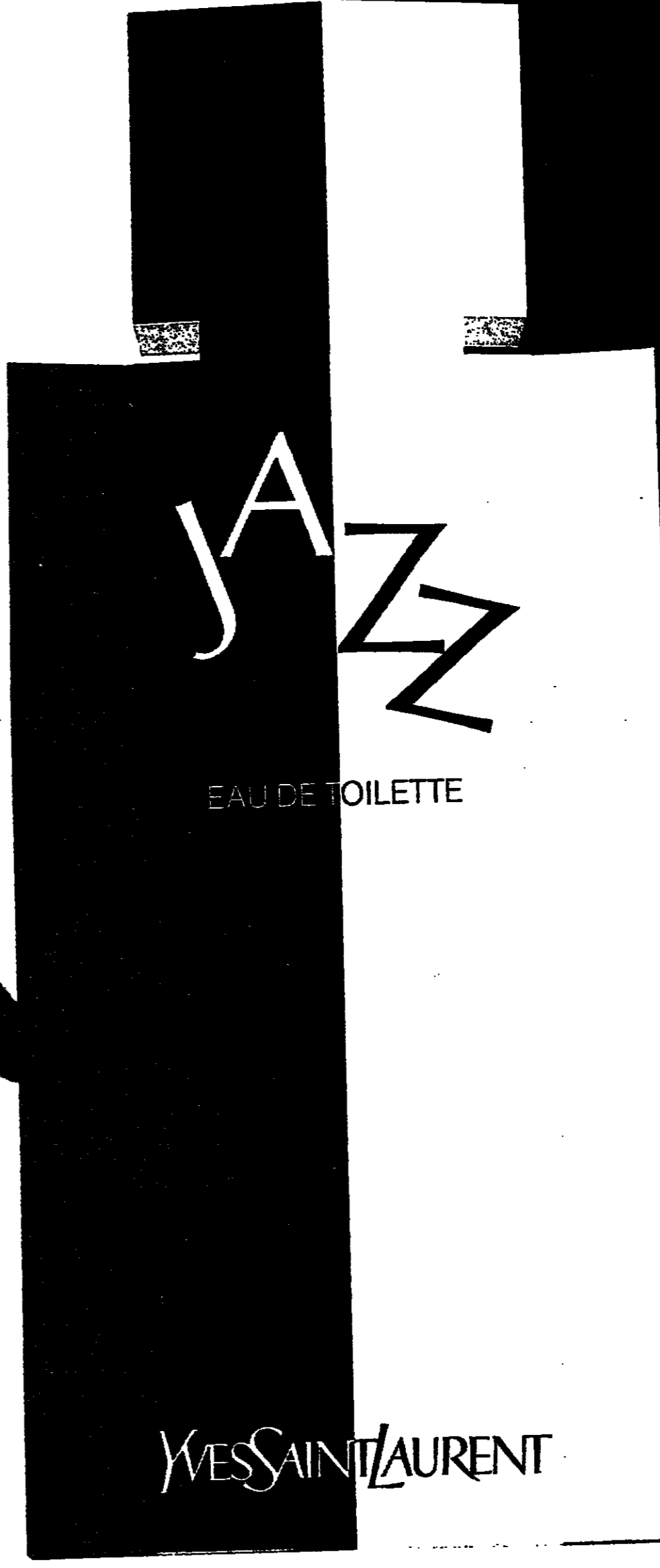
Days

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LA NOUVELLE EAU DE TOILETTE POUR HOMME

YVES SAINT LAURENT

AMERICAN TOPICS

Traveling Nurses Help Ease Shortage

The nursing shortage has spawned a growing industry of traveling nurses, nurses-for-hire who crisscross the United States plugging gaps at short-staffed hospitals, typically working three months at one hospital before moving on to the next.

Nurses with a desire to travel can name where they want to work and when, following their wanderlust and the changing seasons.

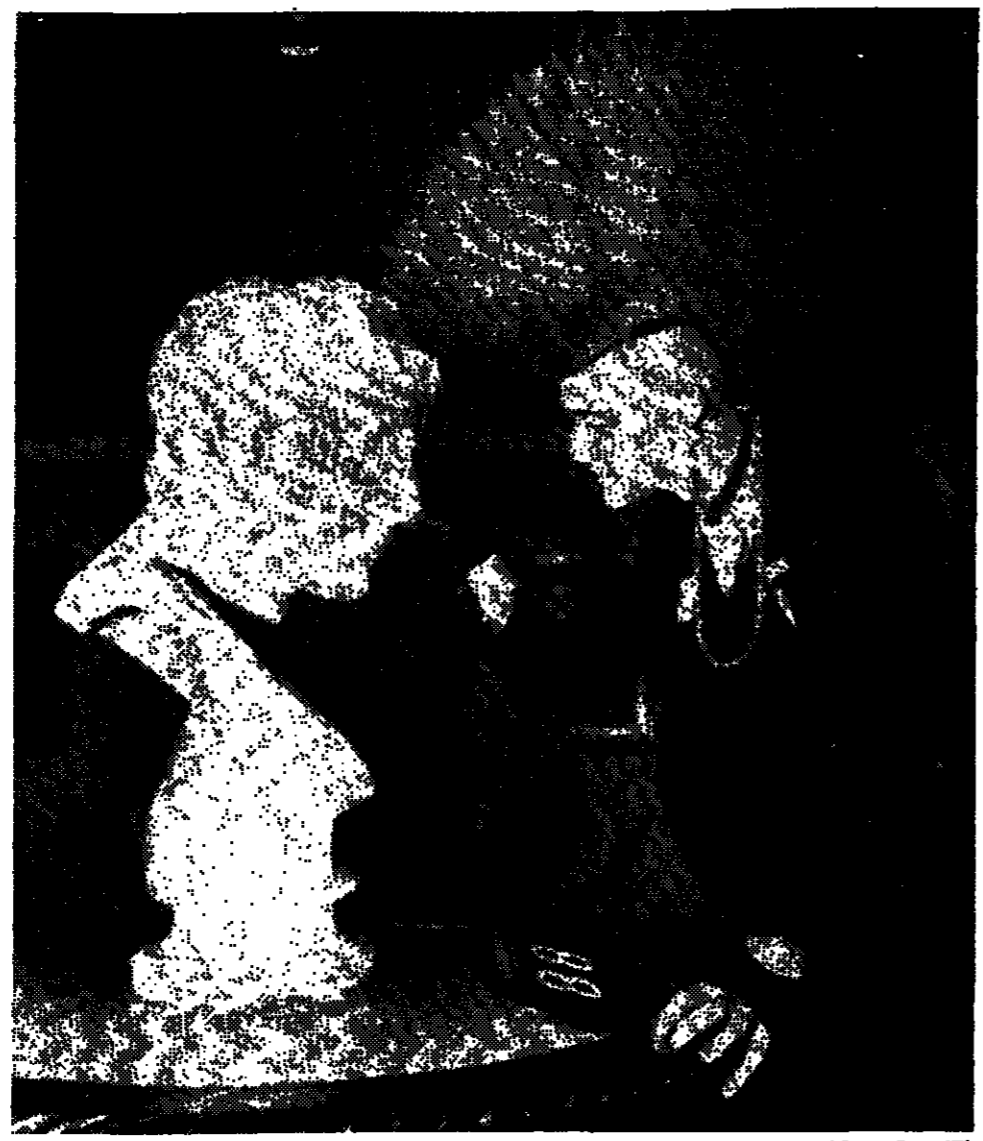
So far traveling nurses account for only 6,000 to 25,000 of the two million nurses nationwide, and a tiny fraction of any single hospital's nursing corps.

"The travelers are an important resource," said Karen G. Barnes of the American Nurses' Association.

Notes About People

Orval Faubus, the former Arkansas governor who tried to keep Central High School in Little Rock segregated in 1957, now says he supports the Reverend Jesse L. Jackson, the black candidate for the Democratic presidential nomination.

Doug Williams, the black quarterback who was voted the most valuable player in the National Football League Super Bowl on Jan. 31 for leading the Wash-



POP RULES O.K. — A bust of Napoleon is inspected by Matt Belgrand, an English pop singer, in New York before the start Saturday of a 10-day auction of the collections of the artist Andy Warhol.

ton Redskins to a 42-10 victory over the Denver Broncos, has established a foundation. He hopes to raise around \$500,000, much of which will be coming from his own pocket, for scholarships, drug abuse counseling and stay-in-school programs for Washington-area schoolchildren.

Princess Ileana of Romania, the last surviving offspring of King Ferdinand and Queen Maria and a great granddaughter of Queen Victoria and Czar Alexander II of Russia, has stepped down as abbess of the Orthodox Monastery of the Transfiguration in Elwood City, Pennsylvania.

By the Communist regime in 1947. At 52 and the mother of six grown children, she founded the first English-speaking Orthodox monastery in the United States in 1961.

Congress Will Uphold Trade Veto, Reagan Says

WASHINGTON — President Ronald Reagan, who has steadfastly opposed the comprehensive trade bill that is scheduled for a Senate vote Tuesday, has predicted that his veto will be sustained.

"I've made it clear to Congress I will veto this bill, and I'm confident that my veto will be sustained," Mr. Reagan said Saturday in his weekly nationwide radio address.

Through the past week Mr. Reagan escalated his rhetoric on the trade bill as the legislation passed the House of Representatives by a 312-to-107 vote.

Gags, Not Jabs, Mark Debate Between Jackson and Dukakis

PHILADELPHIA — Together they had endured about 40 multiple-candidate debates in eight months, and now the Democratic Party's two surviving presidential candidates, heading into the Pennsylvania primary on Tuesday, finally were getting a chance to square off against one another.

The result was a laughing, kidding love feast.

The question was whether Mr. Jackson would expect to be asked to accept, and whether he would accept, the vice-presidential nomination if Mr. Dukakis wins the presidential nomination, as most political observers believe he will.

Lord Ramsey, Ex-British Primate, Dies

LONDON — Lord Ramsey, 83, the former archbishop of Canterbury, died Saturday in Oxford, the Anglican Church announced.

Ecumenical Leader

By Dennis Hevesi New York Times Service As the Most Reverend Arthur Michael Ramsey, he headed the Anglican Church from 1961 to 1974. In 1966, as part of travel to promote the ecumenical movement, he went to Rome and paid an official visit to Pope Paul VI.

British troops to overthrow the white-minority regime in Rhodesia. Earlier that year, he caused a furor when he expressed strong support for a bill to repeal criminal penalties for private homosexual activity between consenting adults.

vicar of St. Benedict's Church in Cambridge. A year later, he was appointed professor of divinity at Durham University in England.

of the House Armed Services Committee. On the day he was elected to Congress, Nov. 7, 1944, he was a corporal in the army, leading apples on KP duty.

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Noriega Forces Accused Of Rights Violations

WASHINGTON — The forces commanded by General Manuel Antonio Noriega have shot, beaten and intimidated protesters since the Panamanian military leader has come under pressure to resign, according to a human rights report.

In Panama, a government spokesman, Boris Moreno, said that Americas Watch "only interviewed one sector of Panamanian society, meaning General Noriega's opponents."

Maker of Acne Drug Disputes U.S. Report

WASHINGTON — Hoffmann-La Roche Inc. has asserted that an estimate by government scientists that 900 to 1,300 babies have been born with birth defects caused by the popular anti-acne drug Accutane in recent years was "flawed" and "essentially meaningless."

At the same time, the company said that it would propose what it described as "far-reaching changes" in the way Accutane was distributed to minimize the chances of fetal exposure.

Ford Foundation To Finance Care For AIDS Victims

NEW YORK — The Ford Foundation is to announce Monday a major effort to finance care for people with AIDS and to assist their families.

Other philanthropies and corporate donors are joining the foundation in setting up the National Community AIDS Partnership, which will channel funds to hundreds of local organizations around the United States.

INTERNATIONAL POSITIONS You will find below a listing of job positions published last Thursday under the rubric International Positions. TABLE WITH COLUMNS: TITLE, SALARY, EMPLOYER

كازمان الأصيل

Vertical sidebar containing various advertisements including 'WARNING TO FEMALE PATIENTS', 'NAS', 'Exodus', and 'THE NEW GEORGIAN'.

In India, a Showdown With Sikhs Nears

By Richard M. Weintraub
Washington Post Service
AMRITSAR, India — The conflict between Sikh militants and the Indian government over the future of Punjab State has taken more than 760 lives this year...

automatic weapon introduced by the Soviet Union and now also made in China.
In one recent incident, anti-armor rocket-propelled grenades were fired at a police post...

The releases appear to be designed to fill a leadership vacuum among Sikhs with people the government hopes will be more amenable to compromise.
13 Killed in Punjab
Suspected Sikh militants shot and killed 13 people in Punjab on Sunday...

Afghan Leader Seeks Improved U.S. Ties, Pledging Compromise

By David B. Ottaway
Washington Post Service
KABUL, Afghanistan — President Najib of Afghanistan appealed Sunday to a visiting delegation of Americans to help improve relations between his government and the United States...

Center for Development Policy, which organized the trip with the Soviet Academy of Sciences.
General Najib went to great lengths to try to convince the Americans that he was ready for compromise.



Afghan soldiers leaning against a wall in Kabul on Sunday plattered with bullets. Soviet troops, who have supported the Afghan forces against the resistance, plan to begin withdrawing May 15.

Gorbachev's Reforms Face Problems As Economy Sags, U.S. Study Says

By Celestine Bohlen
Washington Post Service
WASHINGTON — The Soviet economy took a sharp downward turn in 1987, signaling trouble ahead for Mikhail S. Gorbachev's ambitious reform program...

The poor 1987 economic performance contrasted sharply with the optimistic picture presented in a similar study a year ago when the intelligence agencies concluded that Mr. Gorbachev's reforms were showing initial success.

Other economic reforms — new pay structures, an emphasis on decentralization, layoffs in the vast bureaucracy — also hurt performance last year by sending out conflicting signals to local managers...

Sri Lanka Says Leftists Blew Up A Major Armory

COLOMBO — Leftists dressed in airman's uniforms blew up an armory during a raid on a major Sri Lankan Air Force base before soldiers killed seven of the attackers...

Many insurance plans do not cover you outside your home country. MedHelp Worldwide does!

MedHelp Worldwide includes \$500,000 medical coverage for persons living outside their home country. MedHelp Worldwide also provides an international network of assistance centers...

Asked about the reports as the U.S. delegation was leaving the palace, General Najib did not deny them but sought to play down their importance...



Daedalus 88, a human-powered ultralight aircraft, over the Aegean during its record-breaking flight from Crete to Santorini.

Greek Sets Records for Human-Powered Flight

ATHENS — A Greek cycling champion pedaled a lightweight plane 74 miles (120 kilometers) over the Aegean Sea between the islands of Crete and Santorini to set a world record for human-powered flight.

It broke the distance record for human-powered flight, set by Glenn Tremml, a 27-year-old medical student from New Haven...

And it broke the human-powered flight record for duration aloft, a mark of 2 hours 49 minutes that had been held by Mr. Allen.

The flight was the culmination of a \$1 million joint venture by the Smithsonian Institution in Washington and the Department of Aeronautics and Astronautics of the Massachusetts Institute of Technology in Cambridge, Massachusetts.

Algeria Rejects Criticism of Secret Deal

ALGIERS — Algeria sharply rejected on Sunday American and British criticism of the secret deal by which Algeria allowed the hijackers of a Kuwait Airways jet to escape unpunished.

The conditions under which the crisis was resolved, to wage a hostile campaign against Algeria, while ignoring the difficult circumstances of humanitarian intervention.

The Washington Post reported from Cairo: U.S. officials believe the hijackers are still in Algeria.

Western press reports have quoted sources as asserting that the hijackers left Algeria aboard a private jet, landed in Damascus and then traveled overland from Syria to Lebanon.

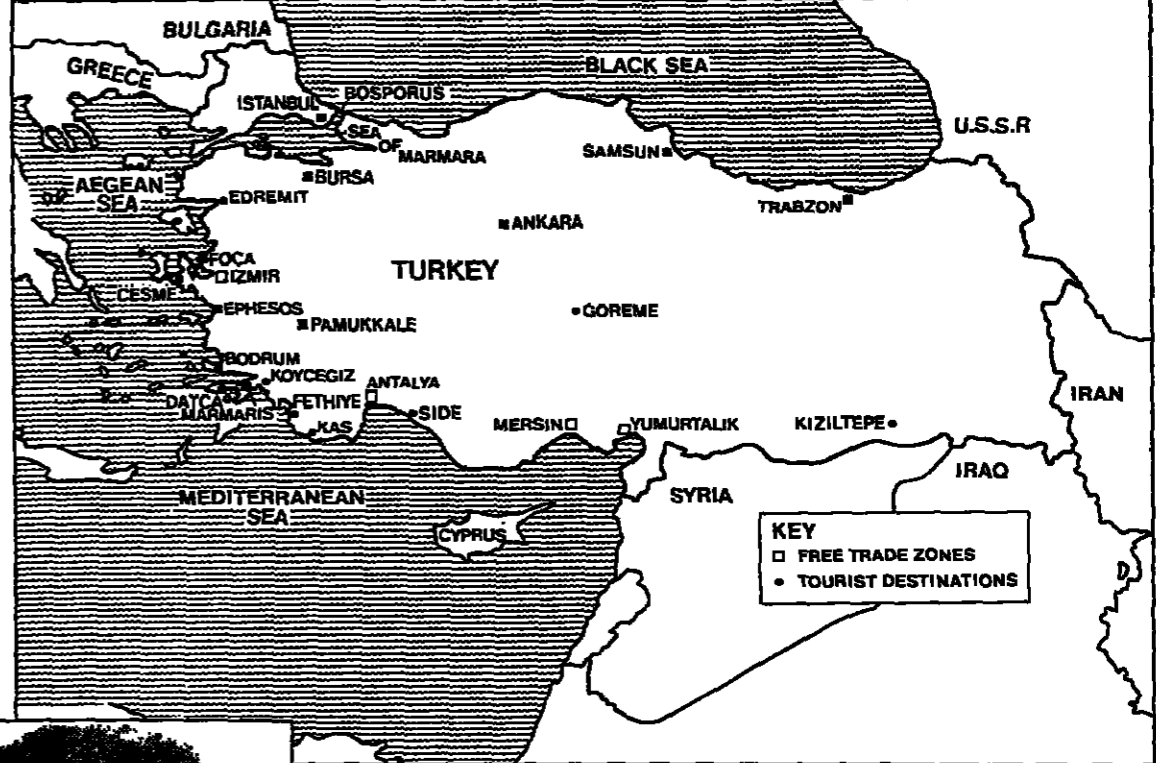
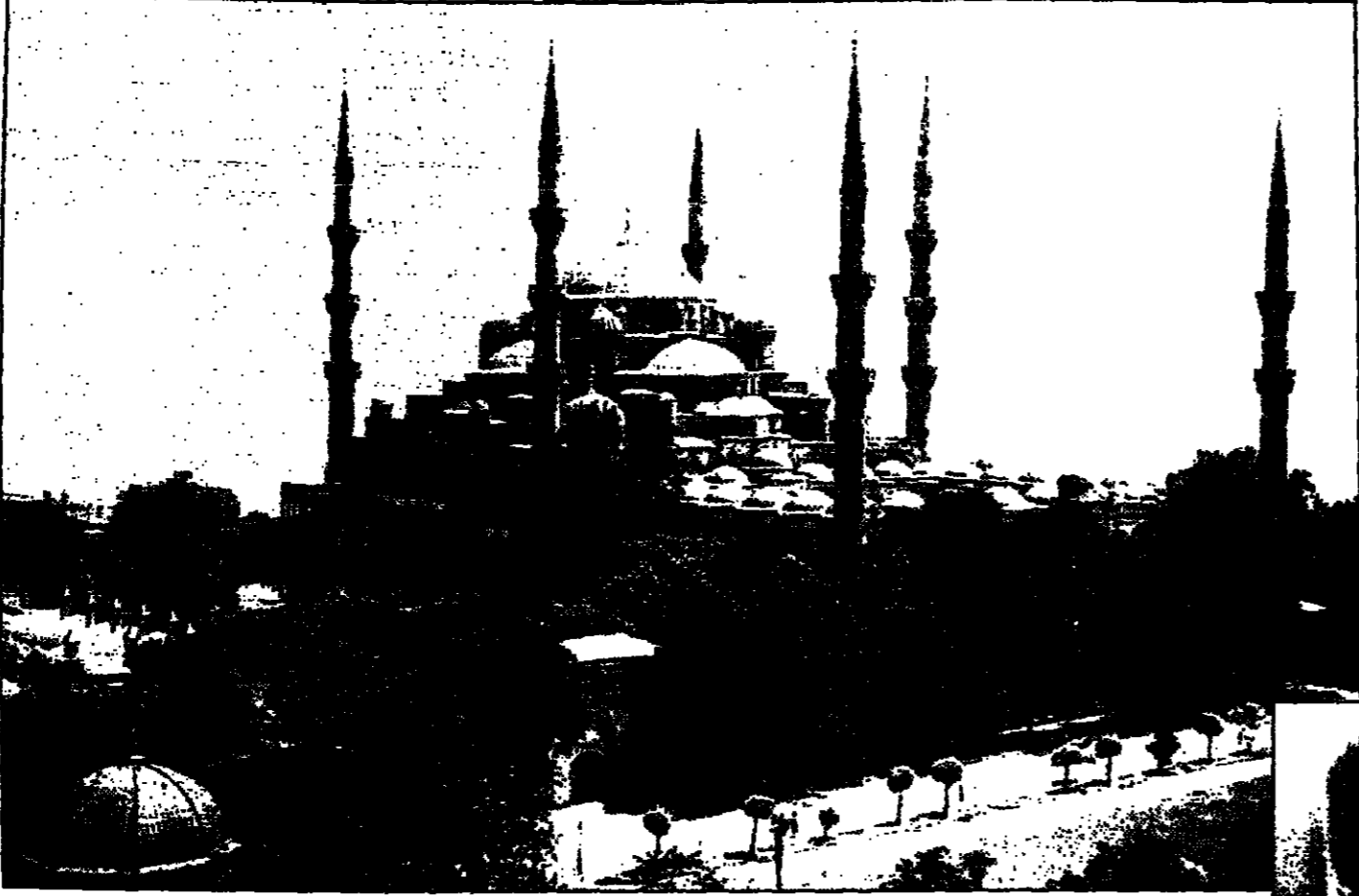
Herald Tribune advertisement including a table of subscription rates for various countries and a guarantee section.



ADVERTISING SECTION

ADVERTISING SECTION

# TURKEY



Far left: Istanbul's 17th-century Blue Mosque (Sultan Ahmet, Ottoman period), one of countless sites that continue to draw foreigners to Turkey. Left: Prime Minister Turgut Özal, under whose leadership Turkey has modernized its economy.

Turkey is pressing ahead with its application for full membership in the European Community. It does so with a confidence built on the foundations of a dynamic restructuring of the country's economy by Prime Minister Turgut Özal's government and the enthusiastic backing of a revitalized private sector.

TURKEY, with a land area three times the size of West Germany and the United Kingdom combined and a population of more than 50 million, is an important bridge between two continents. Bounded by the Black Sea to the north, the Aegean to the west and the Mediterranean to the south, Turkey has been a natural trading route between Europe and Asia for 2,000 years.

The Turkish government's 1987 application for full membership in the European Economic Community was the logical outcome of the country's history and geography. Half of Turkey's land borders are with European states: the Soviet Union in the north and east and Bulgaria and Greece in the northwest. To the south lie Iraq and Syria, and to the east Iran. Part of Europe or part of the Middle East? The question can be confusing to outsiders as well as to Turks.

Ataturk (the founder of modern Turkey) offered the most succinct answer when he said: "For centuries the Turks have walked from the East in the direction of the West." Today's Turkey is even more Western in outlook by virtue of its large-scale economic restructuring, the most dynamic event for the country since the foundation of the republic 65 years ago.

The modernization and liberalization of Turkey's economy is strengthening the country's private sector, which in turn is stimulating relations with industrialized countries. Turkey views its quest to join the EC as a step on the way to becoming a comparable industrial and trading

power in the first half of the next century. In the medium term, full membership will bring such benefits as foreign investment, increased aid assistance and, most importantly, an end to barriers on textiles, Turkey's main export.

Turks feel justifiable irritation with those who would dismiss its application to the EC in view of Turkey's major military commitment to NATO, of which it has been a member since 1952. "Turkey cannot just be regarded as the Eastern wing of European defense," commented Orner Dincok, chairman of the Turkish Industrialists and Businessmen's Association and head of Aksoy, a leading group of companies with 9,300 employees. "Too often people tend to identify differences between Turkey and Europe. It is the wrong approach and could be applied to existing EC members. So many new things have started here. A giant step forward has been changing the status quo mentally and physically."

Once mainly agricultural, three-quarters of Turkey's export sales today are industrial products, ranging from textiles, chemicals, fertilizers and vehicles to consumer durables and processed foods.

Despite post-election inflationary pressures, the long-term outlook remains good. The gross national product grew 5.2 percent in 1985, 8 percent in 1986 and 7.4 percent in 1987 — higher than the original government target of 6 percent.

In the future the government expects to achieve an export-led growth of 7 percent a year. In 1988 exports are

expected to rise to \$12.3 billion, a 22 percent increase over the previous year, while imports are forecast to remain stable at \$14 billion. By 1992 exports are expected to have climbed to \$20 billion a year.

Substantial infrastructural development is expected to continue for several years, providing new highways, additional port capacity, telecommunications, energy programs and a natural-gas pipeline network.

The high level of development is enabling Turkey's civil engineering firms to sharpen their skills. The highly successful GAMA firm, for example, set up its own systems design office for power-plant engineering. Such moves are in keeping with government moves to promote all types of industrial research.

According to Minister of State Adnan Khaverci: "Turkey is at a stage where it needs to carry out indigenous research and develop new products and increase their marketability. Textiles, machinery, chemistry, furniture — things have to be original."

The new Turkey is also encouraging entrepreneurs like

the brilliant Asil Nadir of Polly Peck International. This controversial but consistently profitable group often acts as a leader into new markets. Polly Peck's recent signing of a franchise agreement with PepsiCo Corp. to set up a fast-food restaurant chain in Turkey is an indication not only of increasing tourism but also of Western consumer trends developing in Turkish society.

Probably the biggest shakeup occurring in the Turkish economy is the privatization program, a major plank of the government's reform policies. Prime Minister Özal has said: "This program will change the economic and social landscape of Turkey, and will help us attain the levels of the advanced Western countries in the real sense of the word."

A more energetic capital market is also expected to boost the economy by encouraging competition and forcing industry to produce more market-oriented products, while income from shares will be recycled into new investment.

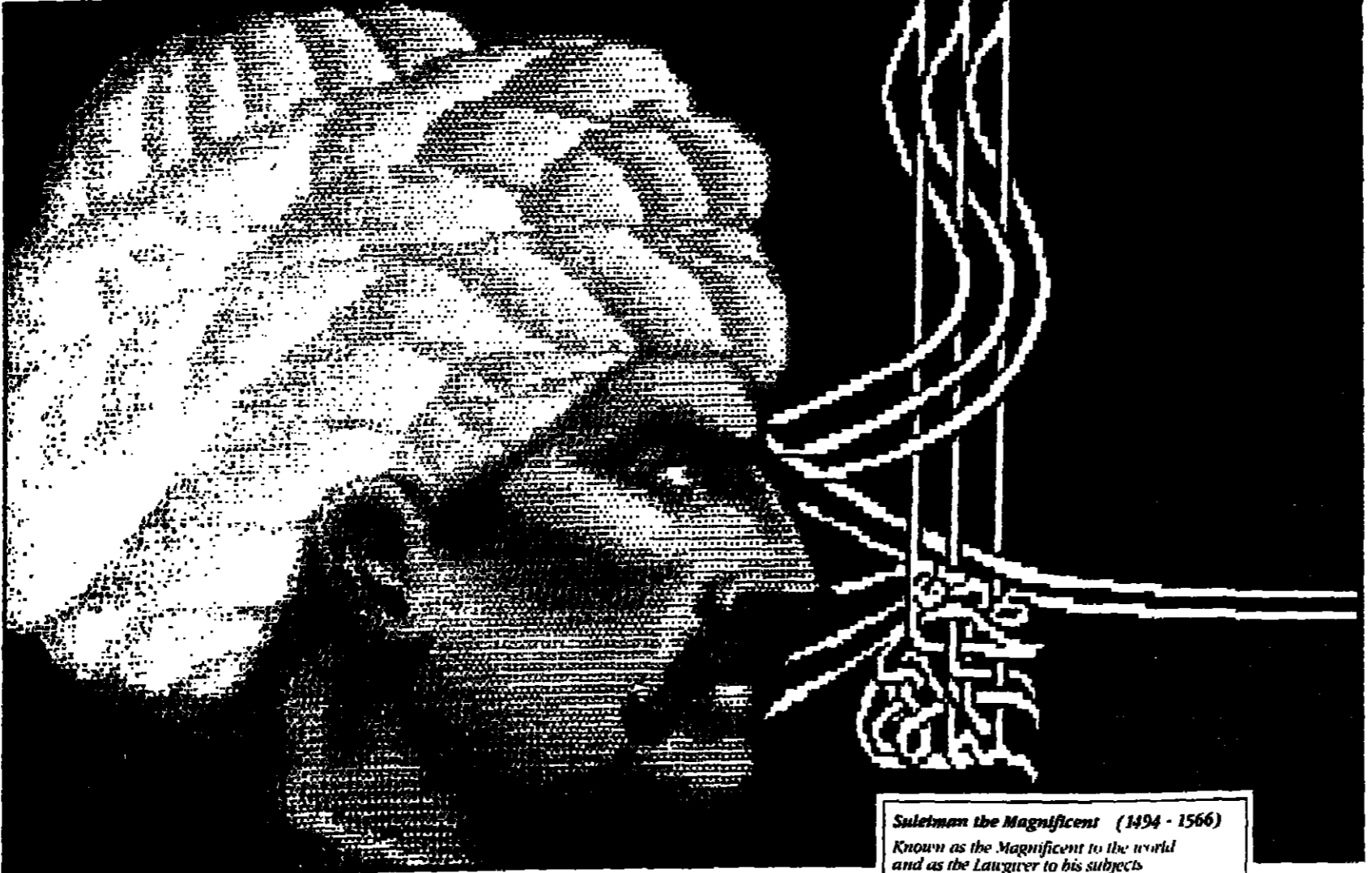
"We are a nation of capitalists, but passive ones. We want to mobilize savings," comments Cengiz Israfil, advisor to the prime minister on the privatization program. Israfil, a former Morgan Guaranty vice president, returned to Turkey in 1986 and regards the recent sale of government shares in telecommunications producer Teleraş as a milestone in the financial area.

The issue was six times oversubscribed in a tight market and an atmosphere of high interest rates. The basics of such an issue — independent auditing by international accountants, a detailed prospectus, a 13-page underwriting agreement — are normal in more mature markets like London's but were a breakthrough in Turkey. They augur well for further planned sales of government shares later this year in cement plants, the Turkish Airlines subsidiary USAS and Tourism Bank's hotel interests.

Turkey is on the move. Its sights are set firmly on the EC. Perseverance and patience are what the country needs for the application to succeed. No problem seems insoluble, even the thorny question of relations with Greece. The summit meeting at Davos in January between the Turkish and Greek prime ministers has done much to improve a smoldering feeling of distrust between the two countries, and created a basis for regular contacts at all levels.

— Anthony Richard

## Knowledge leads to success.



Ask any historian...  
Sultan Suleiman's success derived from his immense knowledge on the affairs of state, arts and culture.

TEB—the bank for select clients and prime correspondent banks has the same philosophy:  
Knowledge leads to success.

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TEB renders a full range of banking services, specialising on foreign trade and advisory services.

The exclusive advisory services TEB's Special Projects Division offers include mainly:  
Going public, mergers and acquisitions, investment projects, commercial law, taxation, accounting systems, tourism and computer software analysis.

For your business in Turkey, contact TEB.  
Profit from our knowledge and experience.



**TÜRK EKONOMİ BANKASI A.Ş.**  
Profit from our knowledge

**Suleiman the Magnificent (1494 - 1566)**  
Known as the Magnificent to the world and as the Lawgiver to his subjects  
Being the conqueror on three continents, he ruled the Ottoman Empire with great strength and brilliance. The country lived through its golden age during his 46-year reign

Computer image by E. Senan

GENERAL MANAGEMENT

### Legalizing Drugs Isn't The Way

By A. M. Rosen  
NEW YORK — Last Monday, before the New York State Legislature, Jesse Jackson was warning that the legalization of 1,300 business jobs, social workers and other jobs brought together by the state almost over, somebody should ask an important question: Has the state made drugs a major problem? Since it is so obvious that we

winning the war against drugs, not try legalization.  
Mr. Jackson's answer was simple and direct as the question do not win a war by expanding course. The worse the course, the deeper the flow of corrupting drug money. The more the drug money comes up about drug legalization, the more the drug money gets drug abuse as a major problem. The supporters of legalization are not the ones who are forced to break the law for society's sake. The legalization of choice while accepting the loss of jobs and revenue is a waste. Hundreds of millions of dollars spent on law enforcement, drug education, and drug courts take the profit out of the drug business. It would be a waste of money to take the profit out of the drug business and give it to the state. The legalization of choice while accepting the loss of jobs and revenue is a waste. Hundreds of millions of dollars spent on law enforcement, drug education, and drug courts take the profit out of the drug business. It would be a waste of money to take the profit out of the drug business and give it to the state.

There is some truth in the saying that when you put together an argument for something, the whole argument is the reason. The legalization of choice while accepting the loss of jobs and revenue is a waste. Hundreds of millions of dollars spent on law enforcement, drug education, and drug courts take the profit out of the drug business. It would be a waste of money to take the profit out of the drug business and give it to the state.

And 50 years ago...  
France...  
1938: Sudeten...  
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And 50 years ago...  
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# Record Export Sales Ease Current Account Deficit

IN its first four years, the government of Prime Minister Turgut Ozal undertook far-reaching liberal reforms of an economic order that had been more akin to those of Central Europe than those in the West. Much still remains of the closed, pre-1980 regime, but with a strong majority won in the November 1987 general elections, Mr. Ozal is poised to forge ahead with renewed vigor in his planned transformation of the economy.

However, no one in government, industry or finance pretends that 1988 is going to be an easy year, as the government grapples with a hangover from relaxed economic controls during 1987. On the other hand, most bankers and businessmen are confident that Mr. Ozal and his team of technocratic advisers can cope, and that the difficulties will ease in 1989. This confidence is grounded in steadily improving trade figures, and the firm measures taken in February to bring the economy back on course. During the run-up to the elections, overspending, excessive domestic borrowing and a widening budget deficit led to economic overheating and a soaring year-end inflation rate of around 65 percent.

By the end of January, monetarists and those urging restraint in higher economic-planning councils had won out over expansionists calling for sustained high growth rates. The government's new mood of austerity is summed up in a cautious 5 percent growth target this year, compared with the 6.8 percent in 1987 and 8 percent in 1986. It intends to halve inflation to around 33 percent.

But the government's confidence remains high in the continued remarkable growth in exports and two-way trade volume since fundamental economic reforms in 1980 launched Turkey on an outward-oriented path. Export sales reached record highs in 1987, in the autumn surpassing \$1 billion a month for the first time. As a result, the current account deficit for the year was well below \$1 billion, compared with \$1.6 billion in 1986, largely the result of decreased business with the Middle East.

Exporters adapted quickly to the changing markets, and switched their efforts instead to the expansion and penetration of markets in Europe and North America. The Middle East was a training ground for these more sophisticated arenas, say traders — reflected in the fact that exports to OECD countries in 1987 rose by 50 percent to total \$6.443 billion. Over the same period, sales to the Middle East also recovered to register a 22.7 per-

To ensure the foreign-exchange revenues needed during an exceptionally heavy year for external-debt servicing, the government is aiming for export-led growth this year, rather than the explosion in domestic demand in 1986 and 1987 which fueled inflationary tendencies. External debt increased to around \$37 billion in 1987; in 1988, foreign-debt servicing in interest and principal payments will total upwards of \$6.5 billion, a heavy yoke for a developing country to shoulder. By dampening domestic demand, the government hopes to force companies to export more.

Exports have been targeted to rise by 23 percent this year to a record total of \$12.3 billion, with imports remaining roughly constant at around \$14 billion. The current account deficit — which worked out at around \$985 million in 1987 — will fall further in the face of larger foreign interest payments from a low of \$1.6 billion in 1986 to around \$828 million this year, officials predict. In-

ment in the budget totals TL 5.46 trillion. The government has firmly stated that few new large infrastructure projects will be initiated in 1988, and that it will concentrate on finishing schemes already underway. The carryover from 1987 is sizable: project credits, despite the cutbacks, are expected to keep pace with inflation at a total of TL 640 billion this year compared with TL 335 billion in 1987.

The government will look more favorably on "build-operate-transfer" (BOT) projects, which theoretically do not affect the government's debt balance sheet because private-sector concessions raise their own construction financing. BOT has been proposed for schemes as diverse as the Third Bosphorus Bridge, large thermal power stations and free trade zones.

Rather than embarking on fresh infrastructure construction programs, over the next two years the government will probably concentrate on structural reforms such as denationalization of the state economic enterprise sector, in an effort to increase efficiency and improve management techniques. The government's first privatization exercise, in February, the selling of shares in the telecommunications manufacturer Telera, went sufficiently well to encourage more substantial issues in the late spring and early summer.

During the next two years the government will probably still have to face periodic short-term crises, like the run on the lira in the unregulated *tahsisale* foreign-exchange markets in late January and February. In the medium term, however, international

agencies like the World Bank and the IMF are confident Turkey can weather its temporary difficulties, as long as the government adheres to its present policies. Indeed, Turkey is held up as a model of financial rectitude in a developing world where reschedulings and virtual defaults are all too common.

According to projections, the pressure of debts rescheduled in the late 1970s and early 1980s will ease slightly, giving the

government much-needed breathing space. In the 1990s, with the expected sharp falls in external dues, the economy could take off toward Mr. Ozal's dream of Turkey being a powerful international trading and industrial nation, after the Japanese and South Korean models, in the first half of the next century.

Long before then, the official hope is that Turkey will have become a full-fledged member of the EC, with all the benefits of free

trade, European investment in Turkish commerce, industry and agriculture, and — last but not least — Community aid to some of Turkey's less developed regions. Turkey's full EC application met with a less than enthusiastic reception in most European capitals last year, but relations between Ankara and Brussels have nonetheless come a long way since the period following the 1980 military coup.

As the mechanics of

Turkey's EC association agreement are overhauled, the prospects of entry in the next decade seem more promising. The biggest obstacle to full membership — hostile relations with Greece — has already been removed in large part, thanks to the breakthrough at the Davos international forum in January: the venue of a mini-summit between Mr. Ozal and his Greek counterpart, Mr. Andreas Papandreu.

—John Lester

## The government hopes to control growth and sharply curb inflation.

cent increase. However, these increases have stired up protectionism in other OECD markets, which have introduced quotas, particularly for textile goods. If quotas were not in force in the United States and Canada, for example, textile firms say they could sell twice as much with little difficulty; they have already learned to live with restrictions in the European Community.

Just how much of a millstone external payments have become is amply illustrated by the fact that transfers account for more than half of the TL 20.84 trillion (\$17.138 billion) total budgeted in 1988. By comparison, spending on invest-

# Investors Attracted by Incentives

UNTIL January 1980, when Turgut Ozal, then a top civil servant and today the country's prime minister, launched a drive for foreign investment, Turkey was not seen as a major investment opportunity for foreign investors. This has changed in the 1980s.

"We get one or two new faces showing up in the foreign business community here each month. The foreign investment presence is growing steadily, even if it does not match up to the predictions sometimes made for it," says a Western diplomat in Istanbul.

The inflow of foreign direct investment to Turkey was \$125 million in 1986 and around \$115 million in 1987. That isn't to say that only a few firms are willing to put money into Turkey, only that foreign investors tend to be small.

The major multinationals set up in Turkey mainly in the 1950s and 1960s. The typical investor of the 1980s has been small, perhaps making the minimum

investment allowed of \$50,000 for a small trading operation out of Istanbul.

But there have been some big fish, too. Last autumn the National Car Corporation opened a plant at Manisa near Izmir. Johnson & Johnson set up in Istanbul three years ago. The biggest-ever investment in Turkey was made in the 1980s — the \$4.1 billion deal between the General Dynamics Corporation and the Turkish air force.

"What Turkey needs," says the foreign diplomat, "are several more deals of that sort of scale. They would show the international community that Turkey is going places."

In order to encourage foreign businessmen to make this sort of commitment, the Ozal government has pressed hard for foreign consortia to adopt its "build-operate-transfer" model for large energy and infrastructure projects. The idea is simple. Instead of relying on traditional project finance, a consortium of foreign investors form a joint venture with a Tur-

ish agency, and build and operate a power plant, road or airport until they have got an agreed-upon return on their money.

Most foreign businessmen already in the country agree that it offers superb opportunities for foreign investment. These include a lively local market of 55 million people, a good basic infrastructure, easy access to both European and Middle Eastern export markets, and above all, a cheap but relatively skilled labor force.

The drawbacks? Most businessmen in Istanbul would agree that infrastructure, such as transport and telecommunications, has gotten a lot better, but there is still room for improvement. Most, however, would cite bureaucracy as a problem.

It is a problem that Prime Minister Turgut Ozal has been steadily chipping away at during the 1980s. To that end he set up the Foreign Investment Department, currently headed by Dr. Ibrahim Cakir, a section of the State Planning Organization. It approves most foreign investment applications and acts as a "one stop" agency that enables foreign companies wanting to set up in Turkey to consolidate most of their legal and administrative formalities.

Mr. Ozal has also been the moving spirit behind Yasad, an association of foreign companies that actively lobbies the government

on the needs of the foreign investor.

Once upon a time, foreigners believed that it was usually wisest to come into Turkey on a joint venture. Not anymore. The government no longer insists, as it did 10 years ago, on a large local stake in a joint venture. It also welcomes 100-percent-owned foreign investment.

"Our advice nowadays is for companies to come in by themselves and to hire good local people for themselves," says the Istanbul manager of one foreign bank. "That seems to make for a better working environment all around, and the days when it was resented by the local people are now over."

To attract foreign investors, the government offers substantial tax breaks for plants located outside the Istanbul/Marmara region and other developed areas. Exporters can expect particular encouragement.

Mr. Ozal's second election victory last November is seen by many businessmen as a sign that Turkey is now a strong long-term investment opportunity. "I believe the election results were a green light for lots of previously undecided investors," says the Istanbul diplomat. "We can expect to see the foreign investment presence in Turkey steadily broadening in the years ahead. And I can tell you that those who do take the plunge will be pleased with what they find here."

—Thomas Faulkner

# TOP PERFORMANCE

ASSETS	Balance sheet as at 31.12.1986 US \$	Balance sheet as at 31.12.1987 US \$	Increase %
Cash and due from banks	879.953.698	875.719.190	
Reserve requirements	275.599.947	284.668.832	
Treasury Bonds	217.905.808	499.851.295	
Loans	910.247.387	830.507.615	
Participations	89.744.675	78.648.163	
Premises and equipment	66.873.925	79.018.884	
Other assets	303.079.772	445.870.728	
<b>Total assets</b>	<b>2.743.405.212</b>	<b>3.094.284.707</b>	<b>12.8</b>
<b>LIABILITIES</b>			
Deposits	2.142.329.675	2.352.298.091	
Central Bank	9.831.988	533.349	
Other liabilities	332.780.791	369.119.585	
<b>Total liabilities</b>	<b>2.484.942.452</b>	<b>2.721.951.023</b>	<b>9.5</b>
<b>STOCKHOLDERS' EQUITY</b>			
Capital *	66.146.316	117.837.679	
Reserves	93.214.711	89.648.925	
Profit (after taxes)	99.101.733	164.847.080	
<b>Total stockholders' equity</b>	<b>258.462.760</b>	<b>372.333.684</b>	<b>44.1</b>
<b>Total liabilities and stockholders' equity</b>	<b>2.743.405.212</b>	<b>3.094.284.707</b>	<b>12.8</b>

(Covered at TL 1018.35 = US \$ 1)

\*Capital has been increased to US\$ 245.5 million as of March 1988

The overall performance of Akbank through the years has proved its reliability and capability in banking. During these profitable years Akbank has built up a large capital base, as its policy has always been to increase its equity. Recently Akbank doubled its capital from TL 120,000,000,000 (US \$ 117.8 million) to TL 250,000,000,000 (US \$ 245.5 million).

This Akbank has progressed in Euroney's listings of the major 500 banks for many years and is the first Turkish bank to rank among the top 7 world banks by return on equity and assets.

As to Akbank's banking services and activities, it is once more ranked as a leader, owning the only Turkish financial subsidiary abroad - Ak International Bank Limited in London. Furthermore, Akbank has set new standards for banking in Turkey through a new bank founded in co-operation with Banque Nationale de Paris-BNP-AK Bankasi, bringing international finance and banking techniques into the country.

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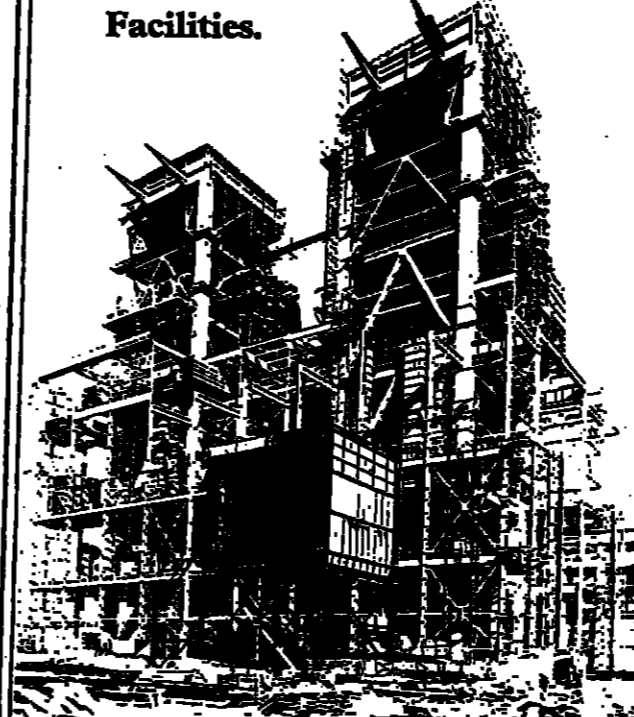
- Ak International Bank Limited has completed its fourth full year of activities as a fully authorised institution.
- Ak International Bank Limited as at the end of 1987 had £ 10 million paid up capital, a balance sheet total of £ 150 million and a profit of £ 1.9 million before tax.

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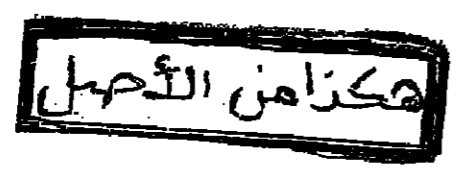
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ADVERTISING SECTION

ADVERTISING SECTION

# Banking: New Players and New Products

A revolution is under way in Turkey's financial system. New players are moving into the marketplace and financial products unknown 10 years ago are now being routinely traded.

The most important development in the last year has been the appointment of a former IMF economist, Dr. Rusdu Saracoglu, as the governor of the Central Bank. Dr. Saracoglu is recognized as a man of the 1980s. He wears Brooks Brothers shirts and speaks English with an American accent, the result of long years teaching and working in the United States.

When Dr. Saracoglu talks, it is about things previously unheard of in Turkey. He wants to see a balanced budget, lower GNP growth at least until inflation is checked and tight control over the money supply. His misfortune is that he took office last summer on the eve of a general election, and business and banking in Turkey this year are dominated by post-election belt-tightening.

Dr. Saracoglu is not the only new face in Turkish banking. Turgut Ozal's general election victory was the signal for a major turn-out in the country's powerful but previously highly conservative state banks. Bulent Semiler, 32, who had been running the Anadolu Bankasi since August 1986, was allowed to take over the Turkiye Emlak Kredi Bankasi, the country's third largest bank

Mr. Semiler has united the two banks into the Turkiye Emlak Bankasi, known as the Konutbank. The process of restructuring may take several years, but out of it a new and much more competitive bank is expected to emerge, capable of competing with the private sector banks.

At about the same time, the prime minister appointed Coskun Ulusoy, 34, as the chairman and general manager of the Turkiye Ziraat Bankasi. Ziraat is

## Former IMF economist to head Central Bank.

Turkey's biggest bank by far with around 45 percent of total deposits of the national banking system. Traditionally, the bank has played a national role, far beyond its original function of supplying credit to farmers.

Mr. Ulusoy, a U.S.-trained banker who had been the Istanbul representative of the British merchant bank Morgan Grenfell until summoned to Ankara by Mr. Ozal last year, has taken the bull by the horns. Within days of being appointed general manager of Ziraat, he announced a review of its entire lending operations. He rapidly came into head-on conflict with both the bank's entrenched bureaucracy and a large number of vested interests in the business world, who had been accustomed to borrowing

from the bank with few questions being asked.

Mr. Ulusoy — and through him, Prime Minister Ozal — is trying to eradicate those inefficiencies and suspect practices in the state banking system that probably cost the country several percent of its gross national product every year and fuel inflation.

A shakeout in the two major state banks would, it is argued, generate significant financial resources for the economy as a whole, freeing them to contribute to the growth of an internationally competitive economy.

At present the lively parts of the economy are in the private sector in Istanbul, where there are three sorts of player on the market. The first is represented by Akbank, a large private sector bank owned by the Sabanci group and run on

very traditional lines. It nonetheless makes the highest profits ever seen in the Turkish banking system.

Pitted against the Akbank is Yapi ve Kredi Bankasi, which belongs to the Cukurova Industrial Empire. Yapi ve Kredi was shaken by Turkey's economic turnaround in the early 1980s, and it was only last year that it clawed its way back to genuine profitability. This year's results will be watched with interest to see whether, under a new general manager, Burhan Karacam, its progress is being maintained.

The larger private-sector banks have been squeezed hard in the last few years in Turkey. The shift to realistic interest rates has left them facing serious dangers. Currently, one-year time deposits fetch 65 per-

cent, about 17 percent more than a year ago. Lending rates have to be at least 30 percent higher in gross — and finding safe customers at that sort of interest level is next to impossible.

Banks have been living for several years with a growing volume of bad debt which has caused more than half a dozen small banks to shut their doors in the 1980s. Their liabilities were mostly absorbed by Ziraat and other state banks.

The government and the Central Bank have been prodding banks to increase their provisions against bad debt for several years. Two years ago a scheme for capitalization of bad bank debt was introduced.

Profits are being made by two other groups of banks: foreign banks which came into the country after 1980, and small efficient local banks specializing in trade finance and, more recently, investment banking. There are now 21 foreign banks in Turkey out of a total of about 60. The foreign contingent is led by U.S. giants such as Citibank, Manufacturers Hanover Trust and Chase Manhattan.

The marketplace in which they operate is sometimes a difficult one. In the first few months of 1988, Turkish banks were insisting on payment requirements of 25 percent or more on imports before they would issue letters of credit. This was the result of a foreign currency shortage caused by the pre-election spending spree in 1987 and the less-than-stringent monetary policies that went with it.

But with Turkey's trading performance stronger than ever, the more skillful of the trade finance banks still seemed poised to continue their successes of the last few years.

—T.F.

# Top Banks Record Impressive Year



Mr. Zafer Basak, member of the board, Turkish Economy Bank.

Alsoy singles out the new perception of the bank and Turkish banking in general by the outside world.

"When I started, one had to work very hard to get international markets interested. Now we can do straightforward packages, send out a syndication telex and know we will get a reply."

Like a number of other financial institutions, Iktisat has taken full advantage of the country's telecommunications modernization and the availability of reliable telephone lines. As a result Iktisat has spent \$8 million on a computerized system using U.S. Security Pacific software, the only real-time system in Turkey able to handle letter of credit transactions, according to Mr. Alsoy.

Technology is streamlining international operations. Forty of Turkey's 925 domestic branches are online to the bank's busy London office. The computer links facilitate trade finance business by avoiding the time-consuming process of routing transactions through the bank's head office in Ankara.

Interbank, which installed the first real-time computerized operation in Turkish banking, and Yapi Kredi, with its 600 branches, also identify investment in banking technology as a major factor in solidifying their positions over the last three years.

The state-owned Tobank as well is currently seeking to computerize its 117 branches, and is evaluating bids from NCR, IBM and Nixdorf. This forward-looking attitude underlines the positive view Tobank's new management is taking of prospects for reschedul-

ing the nonperforming loans that led the government to intervene and boost the then-private bank's capital to \$5 billion TL from 4 billion TL in 1986.

In line with a growing trend, Tobank is likely to seek an independent auditing of its accounts in the future. The move mirrors a desire through the Turkish banking sector to display rectitude both in the domestic and international areas of its operations.

"Being mostly involved in trade financing has kept us away from the nightmare of bad-debt financing," says Turk Ekonomi Bankasi director Zafer Basak, who adds: "We do not pretend to be a huge bank, but turn out to be one of the most profitable in our business. Our client base is select. We try and keep it industrial and limited to those involved in important export business."

A small merchant bank — one of the first to be independently audited — TEB is also an enthusiastic promoter of computerization. It has recently launched a separate firm, Bilim, to provide clients with software and hardware consultancy.

About the future, Professor Basak comments: "I am very optimistic because, frankly speaking, Turkey has been changing before my eyes compared with conditions 25 years ago." This positive view is shared by Ozer Guney, general manager of Esbank, which in 1987 virtually doubled all its figures: "I feel that 1988 can again be profitable. The economy can cope with the higher cost of money. I hope, and feel, we will have few problems."

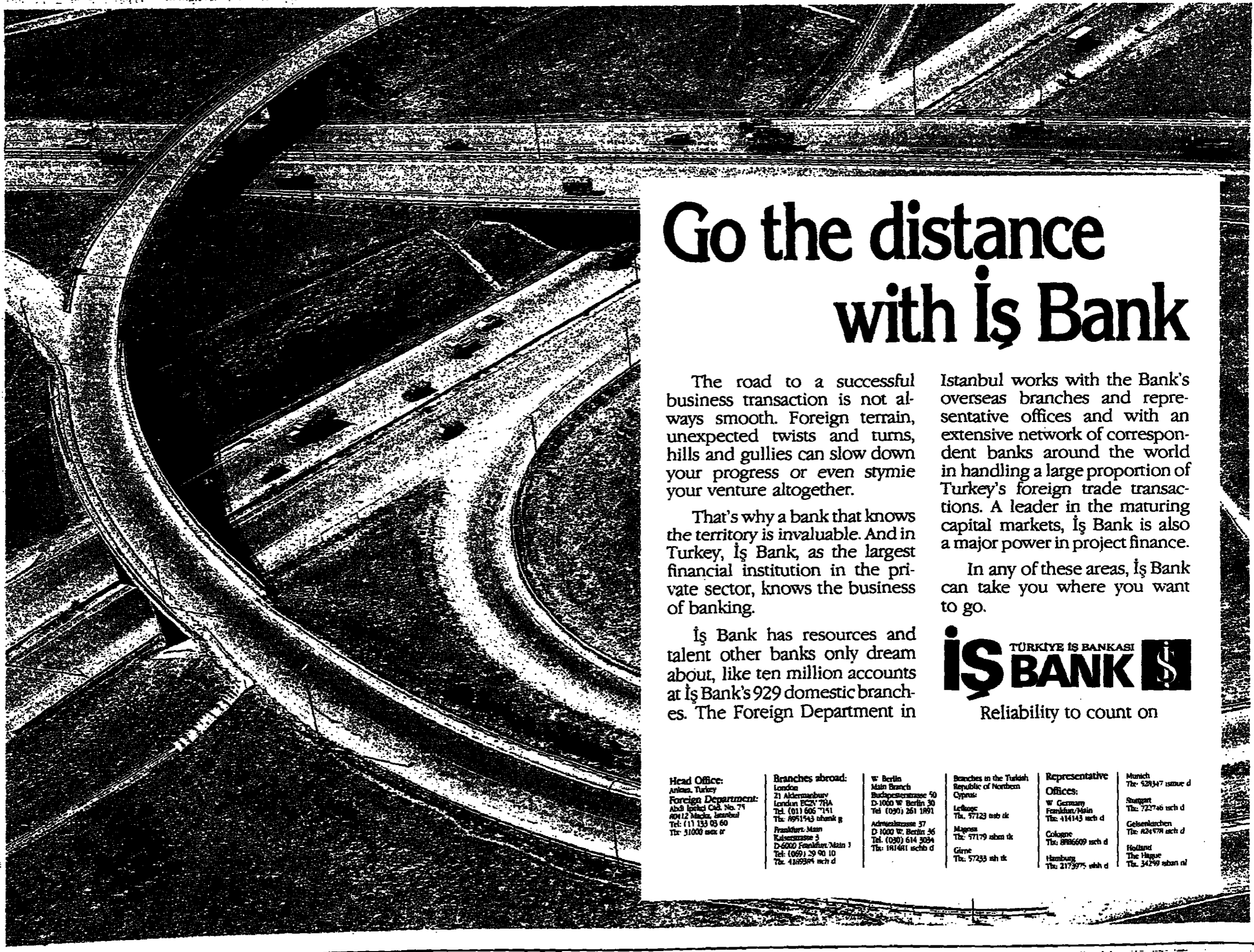
—A.R.

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Istanbul works with the Bank's overseas branches and representative offices and with an extensive network of correspondent banks around the world in handling a large proportion of Turkey's foreign trade transactions. A leader in the maturing capital markets, İş Bank is also a major power in project finance.

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# Recent Moves to Fuel Development

**E**NERGY development is the key to the rapid industrialization drive that Prime Minister Turgut Ozal hopes will transform the Turkish economy by the early decades of the next century. This has already come a long way since the late 1970s and early 1980s, when frequent power cuts hamstrung industry. Turkey had a surplus of 15,000 kWh of electricity last year. But demand is set to outstrip supply by the early 1990s, and Turkey remains heavily dependent on crude oil imports. Amounting to roughly 21 percent of all imports, these cost about \$2.64 billion in 1987.

In line with the government's free-market principles, the current five-year plan contains two broad

goals which are significant departures from centralized state control. It seeks to encourage private-sector participation wherever possible, and to use indigenous resources only when these prove economically viable. Ankara's present budgetary stringency has reinforced these aims.

Domestic demand for electricity is increasing by 18 percent a year. According to the International Energy Agency, by the end of the century, total electricity demand by fuel sources will amount to 39 million metric tons of oil equivalent (mtoc), compared with 8.3 mtoc in 1985. Hydroelectric demand will rise by a staggering 700 percent and thermal demand will increase almost three-fold, to 16.1 mtoc.

Mr. Ozal's team does not share the previous military government's view of nuclear power as a panacea for Turkey's energy deficits. It seems unlikely there will be serious need for it before the next century, say officials of the Energy and Natural Resources Ministry. The Soviet's Chernobyl disaster, which irradiated large areas of Turkey's Black Sea coast in 1986, has blighted nuclear power in the public's eyes as well.

The main energy development areas during Mr. Ozal's second term in office are likely to be the extension of natural gas supplies to additional sites in Anatolia, and the use of the "build-operate-transfer" (BOT) method of implementation wherever possible. French-and-British-led consortia have already won contracts for the conversion and expansion of existing gas networks in Istanbul and Ankara. Two major BOT contracts for the construction of thermal power stations to burn imported

coal are also being negotiated. A gas pipeline under construction from the Bulgarian border will reach Ankara this summer, carrying Soviet natural gas. These imports will total 6 billion cubic meters annually in the 1990s and be supplemented at peak periods by Algerian gas. A 20-year agreement for imports of 20 billion cubic meters was reached in Algiers in January.

## Current plan stresses involvement of private sector.

The fuel will be used for power stations, industry and private heating. It is hoped this will reduce the pollution in the capital caused by widespread use of lignite, which produces an acid, sulphurous smog.

Australian and U.S.-led consortia are competing for the first large BOT contract the government has ever awarded. This contract for a major thermal power station will be a breakthrough for the BOT method, whereby private interests receive concessions to finance, construct and then operate major infrastructural utilities.

From its formation in the early 1970s up until legislation introduced by the military in 1983, the state-owned Turkish Electricity Board had a virtual monopoly over power generation, distribution and sales, apart from concessions granted to the private-sector Cukurova Elektrik and Kepez Elektrik. The first Ozal government significantly widened the scope for private-sector participation in power generation; at the end of 1987, the Energy and Natural Resources Ministry had received about 90 applications for small- to medium-scale projects from

private interests, many of them hydroelectric. Several of these schemes have been approved.

To meet projected demand by 2010, the government envisages the construction of 280 hydroelectric stations of varying size, with a total generating capacity of 28,000 MW. Around 30 new hydroelectric plants are under construction, final designs for 23 are completed, and another 11 are still in the

planning stage. The World Bank has taken a leading role in financing construction of hydroelectric power plants in Turkey; its most recent loans have been for the 300-MW Sir dam project for Cukurova Elektrik and the 420-MW Kayraktepe dam scheme. Construction has yet to start on the latter.

However, in the next two years the State Hydraulics Agency (DSI), which plans and oversees construction of hydroelectric stations, plans to start only two new large hydro-projects, the Kayraktepe scheme and the 510-MW Boyabat dam, also supported by the World Bank. With belt-tightening budget stringency in Ankara, its development funds have been largely accounted for by work already under way.

Much of the DSI's budget is eaten up by the construction of the giant 2,400-MW Ataturk dam in the southeast, the centerpiece of the southeast Anatolian (GAP) development program. A sister project on the Euphrates river, the 1,800-MW Karakaya dam, is scheduled to reach full generating capacity by the autumn. The GAP program includes 15 dams and 18 hydroelectric schemes,

which eventually will irrigate 7,000 square miles and generate 7,620-MW. However, the large dams on the Euphrates, which include the 1,360-MW Keban dam completed in 1976, are a bone of contention with Syria and Iraq downstream, which claim they affect the river power to the detriment of their own dams and irrigation works.

Domestic oil production, although increasing to an estimated 2.5 million metric tons in 1987 from 2.1 million metric tons in 1986, is unlikely to ever make much of a dent in the oil import bill, largely because the fractured terrain in the premier oil-producing region in the southeast has generally yielded only small-to-medium-sized fields. That means Turkey has to rely largely on oil imports from its neighbors, Iran and Iraq. Iraq's main oil export lifeline, twin pipelines with a capacity of 1.5 million barrels a day (b/d), terminate in Turkey's Iskenderun Bay. Iran periodically revives interest in its own 30-year-old scheme for an export pipeline through Turkey, with little concrete progress so far. During a late-February visit by Mr. Ozal to Tehran, it was nonetheless decided to undertake basic engineering studies.

Marketing studies in Europe for a much larger project to build a gas pipeline across Turkey have so far produced little more than generalities. However, Qatar also plans to build a \$8 billion pipeline across Turkey to Europe from its massive North Field reserves. There have already been a series of talks on the scheme, and a contract for basic engineering studies could be awarded this year. Turkey more than ever is becoming a bridge between Europe and the Middle East.

—J.L.

# Akbank Profit Up 65 Percent

**T**HE most spectacular profit performance in the Turkish banking sector has been turned in by the Sabanci group's Akbank. A net profit of \$164.8 million was recorded in 1987 (against \$99.1 million in 1986), and in March 1988 the bank's capital was expanded to \$245 million, bringing net worth up to \$372.3 million.

According to Erol Sabanci, managing director and vice chairman of Akbank and one of the six sons of the legendary



Erol Sabanci, managing director and vice chairman, Akbank.

founder, the late Hacı Ömer Sabancı: "We are the biggest purely private bank and, in terms of branches and assets, rank number three in Turkey."

Akbank has been busy developing its international connections, and formed a joint venture with the Banque Nationale de Paris in Istanbul, known as BNP-AK, in 1986. In its first full year of operations the bank

made a profit of 5.4 billion Turkish liras after tax. Akbank has also had a fully owned subsidiary in London since 1983, which was set up with equity of 15 billion TL to provide a flag carrier and export window on international banking business," according to Mr. Sabanci. In 1987 the subsidiary made a 1.9-billion TL profit.

Akbank, which has 617 branches and employs a staff of 8,900, handles some 10 percent of Turkish deposits. "We want a higher percentage," says Mr. Sabanci, who points to the \$40 million spent on computerizing 160 of its branches recently.

Turkey's growing tourist income is also a target. Akbank is participating in two new Hilton Hotel schemes: a 363-room hotel being built in Ankara and a 250-room establishment planned for Mersin.

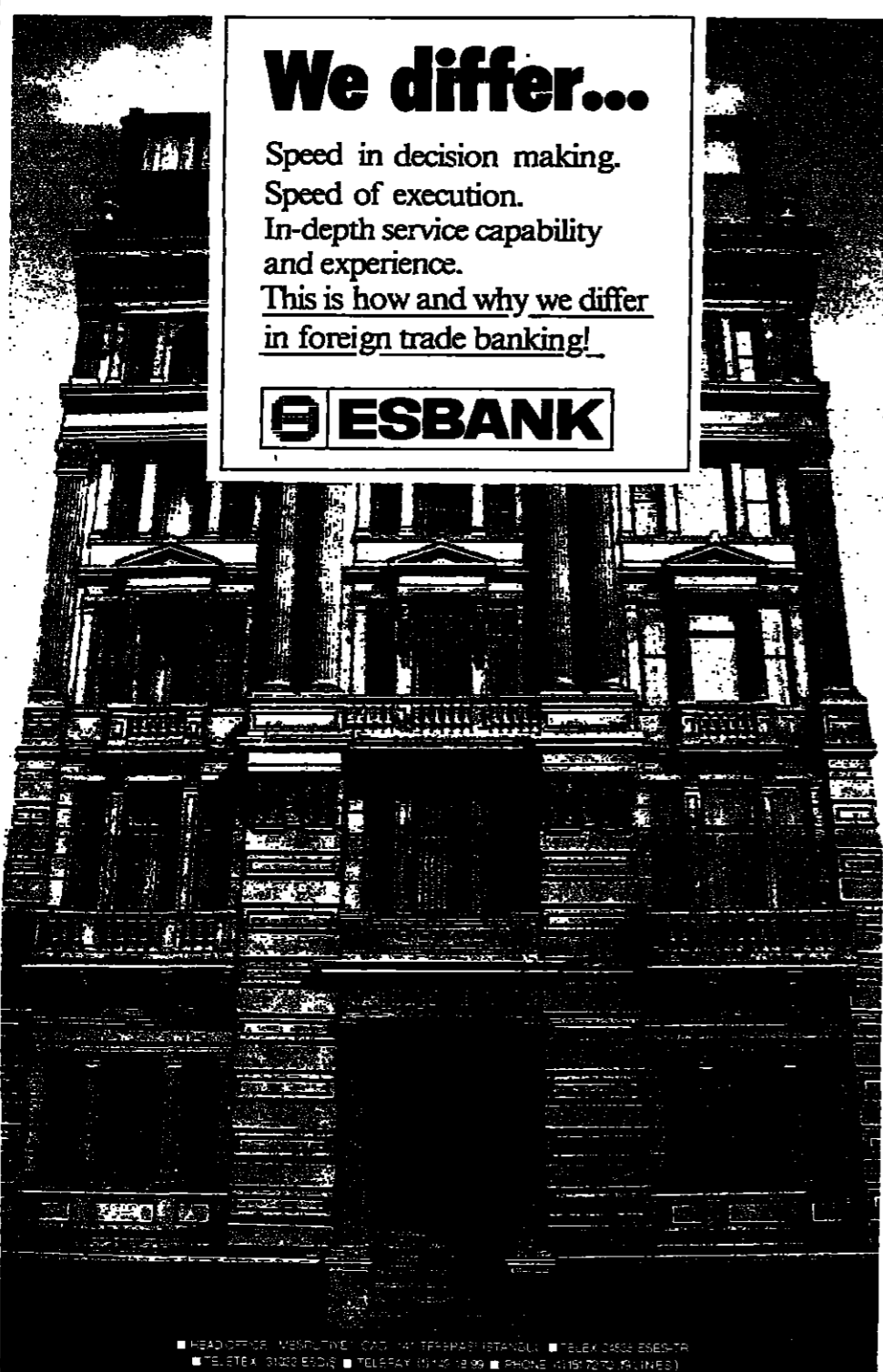
The bank is part of a group named 1744 in Fortune magazine's 1986 list of international corporations. The group has the country's largest cement interests, is second in Turkey only to Unilever in margarine production, is the biggest textiles group in Turkey and largest packaging group in the country as well as the largest polyester fiber producer in the Middle East.

Although Akbank's pedigree is impressive, Mr. Sabanci admits that inflation is still a problem. However, he states: "I am an optimist, because the government will tackle the problem very seriously and make regulatory changes in money market activities."

—A.R.

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# Interbank Approach: Cautiously Aggressive

**I**NTERBANK celebrates its 100th anniversary this year. From its beginnings as the Banque de Salonique, specializing in trade between the Ottoman empire and the West, the basic business of the International Bank for Industry & Commerce (Interbank), as it was renamed in 1969, has been in trade finance.

Last year marked Interbank's seventh straight year of increased profits. Earnings of 17.3 billion Turkish

liras showed a 79 percent increase over 1986 results. In dollar terms, earnings rose 33 percent to \$17 million. The bank's return on average assets rose from 3.9 percent to 4.3 percent, while its return on average equity increased from 43.4 percent to 46.7 percent.

This performance reflects an imaginative management style that has positioned Interbank as one of the country's most innovative wholesale banks, one that has handled 12 percent

of Turkish trade financing in the last three years.

The bank, which was the first real-time computerized bank in Turkey, is now looking to extend its operations into investment and merchant banking. Executives consider a niche exists for the bank in merchant banking — as the intermediary between investors and entrepreneurs in mergers, acquisitions and the privatization program.

Interbank was one of the underwriters for the recent

sale of government shares in Teleras, and is currently advising on the privatization of Turkish Airlines cargo charter and catering subsidiary USAS.

A spokesman stressed that the bank is profit-motivated and not looking for an increase in assets. The inflation and tightening of liquidity that has occurred in the last three months is not, in some experts' opinions, sustainable. Though tighter monetary policy will cool down the econo-

my, longer-term fiscal measures will be needed to reduce the budget deficit to manageable size.

Meanwhile, the bank's directors point out that Turkey's geographic position between the European and Middle Eastern markets gives grounds for long-term optimism. "In the next three to six months we want to watch rather than step on the gas pedal, but we remain cautiously aggressive," they say.

—A.R.

# Partners In Growth

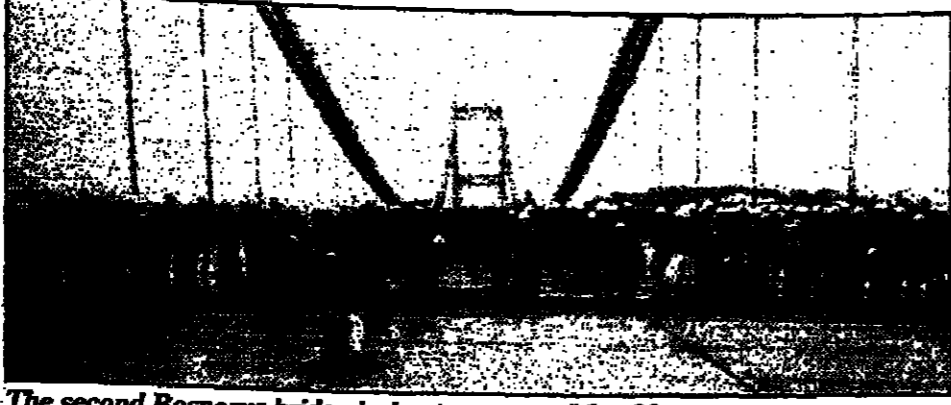


مكزامن الاجهله

ADVERTISING SECTION

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# Bridging the Bosphorus



The second Bosphorus bridge is due to open on May 29.

4 million vehicles, of which 3.1 million were cars. A \$551 million contract to build a second bridge together with its approach roadways was awarded to a consortium of local, Japanese and Italian contractors in May 1985. A fierce tender competition had brought into contention British and Japanese aspirations for the prestigious project, particularly since the first bridge was built by a British company.

In something of a civil engineering feat, the towers, cables and deck of the second bridge were completed well ahead of schedule, largely through a novel construction method of swinging the deck sections through a series of leapfrog maneuvers out along the main cables.

Once roadways have been laid across its deck, the bridge will open on May 29. It will be called the Fatih (Conqueror) bridge, after the Ottoman Turkish Sultan Mehmet II, who led the Moslem conquest of Constantinople on the same day in 1453.

The second bridge has been designed on the same principles as the first, though with modifications. The original designs were drawn up by the British firm Freeman Fox & Partners, which also designed the first bridge. The new structure clears the Bosphorus in a single main span, high above the tankers, ships, ferries, fishing boats and pleasure cruisers on the water below. It has four lanes in each direction, compared with the first bridge's three, and a design loading twice as heavy.

The second bridge serves as a vital link in the Trans-Anatolian highway, a Europe-to-Asia route running from the Bulgarian border up to Ankara. Major construction contracts to upgrade and build the rest of the route were awarded after the contract for the second bridge as part of a massive and ambitious toll road construction program. In time, the government hopes to complete the fast expressway all the way up to the Iraqi border crossing at Habur.

But before then, Istanbul could have a third bridge across the Bosphorus, this time erected on the "build-operate-transfer" (BOT) contracting model. The third bridge will be part of a planned local traffic ring road through Istanbul's historic center, which will also include a tunnel under the Bosphorus at the other end of the arc.

Tenders for the contract to build this structure, larger and longer than the other two bridges — it will have three spans, two subsidiary and one main — were returned in February. In just over two decades, the Bosphorus link will have been transformed more fundamentally than since Constantine first founded his city.

# Tourism Bank's Hotel Interests to be Privatized

TURKEY'S state-owned Tourism Bank is a unique institution. It was set up in 1955 with the specific mandate of assisting the development of the country's tourist industry.

At the time of the bank's establishment, the private sector was unwilling to invest in a sector that hardly even existed. Facilities needed to be developed, and Tourism Bank began to build up its Turban chain of hotels, campsites, marinas and other facilities, which have established a high reputation in Turkey's tourist market.

The 25 properties that comprise the Turban chain, including a travel agency, are now to be divested as part of the government's privatization programs. The bank's pioneering role in establishing industry standards is over. "We asked the government to consider our tourist operations as a candidate for privatization. We cannot act as a banker and operator," says the bank's chairman and president, Serhan Altinordu, referring to the huge expansion taking place in this area.

Tourism Bank's potential as a tourist destination is reflected in more than 8,000 kilometers of unspoiled coastline, as well as a climate and antiquities that are as attractive as any found in the Mediterranean and Aegean regions.

Tourism is no longer be-



Serhan Altinordu, chairman, Tourism Bank.

trate now on financing the sector's needs, and are trying to train our staff to adopt a merchant banking role. The next step is for the bank to use its whole financial, human and other resources to meet the sector's needs," Mr. Altinordu comments, adding that he envisages demand for a further 200,000 beds costing \$3 billion over the next few years.

The bank's divestment of its hotel and other interests is due to be completed this year, leaving Tourism Bank to concentrate on its banking activities and providing services to the sector. A new image has been planned as a result of deliberate credit policies in the last two years aimed at preparing the bank for a new take-off phase following completion of the privatization process, he adds.

Gearing up to meet the increasing demands of the fast-expanding sector has meant Tourism Bank's borrowings have increased tenfold since 1984, the latest being a private placement in February by Nikko Securities of 10 billion yen.

Improved techniques for applying funds have also been an important growth factor. The bank's line of financing can be extended up to 10 years. Repayment of principal and interest is not required during the construction phase of a hotel, while a grace period on payments is also permitted between the building phase and start-up of operations. The aim is to allow an investor time to stand on his own feet, says Mr. Altinordu.

The number of tourists visiting Turkey jumped from 1.3 million in 1980 to 2.6 million in 1985. There is a generally expressed desire to develop the top end of the market, and this will continue to mean a substantial and accelerating investment in high-quality accommodation. "We want to concen-

## The number of tourists to Turkey doubled in just five years.

THE Bosphorus bridge, as the link between Europe and Asia, has always occupied a special place in the history of the eastern Mediterranean. Through its portals, Jason and the Argonauts of mythology sailed in search of the Golden Fleece; on its European shore in 324 A.D. the Byzantine Emperor Constantine founded the capital which came to bear his name; and in the 20th century it is the Soviet Union's only southern naval access

to the Mediterranean. Bridging the Bosphorus has a special significance beyond the immediate cost and purpose; it is imbued with the history of the city and the waterway as well. To this is added the spectacular majesty and grace of an overarching suspension bridge with cable stays.

The first bridge across the Bosphorus, then Europe's largest suspension bridge, was completed in 1973. It quickly became a local landmark, as much a part of the city as the Gal-

ata tower, the Ayssofya Mosque and the Byzantine city walls. By the late 1970s and early 1980s, however, it was apparent that another bridge was needed. Heavy trucks involved in the booming transit trade to the Middle East needed to be diverted away from the toll booths for local traffic.

The bridge was designed to carry 80,000 vehicles a day, but frequently has to cope with 115,000 or more. In 1987, it carried a total of

# New Tone to Relations with Greece

THE breakthrough in previously hostile Turco-Greek relations at the minisummit between Prime Minister Turgut Ozal and his Greek counterpart Andreas Papandreu in Switzerland in January could well prove to be one of the most important developments between the two countries this century. If the fragile accord holds together, it could be the foundation of a new era of political and economic cooperation in the eastern Mediterranean, say Turkish officials.

Though differences be-

tween Ankara and Athens still run deep, the new accord is a rapid and astonishing turnaround from just over a year ago, when the two countries were on the brink of open warfare over mineral and territorial rights in the Aegean.

Since the minisummit at the Davos international economic forum, concessions that have paved the way for a durable dialogue include the return of Greek assets frozen in Istanbul in the 1960s. The accord was developed further at another meeting between Mr. Ozal and Mr. Papandreu at the NATO sum-

mit in Brussels in early March.

The two sides have busily set about formalizing the accord. A joint committee has been established, for example, to discuss friction in the Aegean; another will examine areas of potential cooperation, such as trade, tourism and shipping. Turkish and Greek businessmen immediately seized on the opportunities promised by the accord to form joint bodies to further commerce between them. Banking looks to be the most promising area at present.

Anxieties on both sides

still threaten the new-found amity. Turkey's full membership application to the European Community still meets with Greek resistance.

Turkish officials state, however, that Greece cannot afford to ignore the economic potential of Turkey as an industrial and trading power in the eastern Mediterranean, and would do well to seek cooperation in EC matters sooner rather than later. Turkey is a more natural trading partner for Greece than many other EC members, they say.

—J.L.

—J.L.

—A.R.

# zoom in Turkey with Töbank

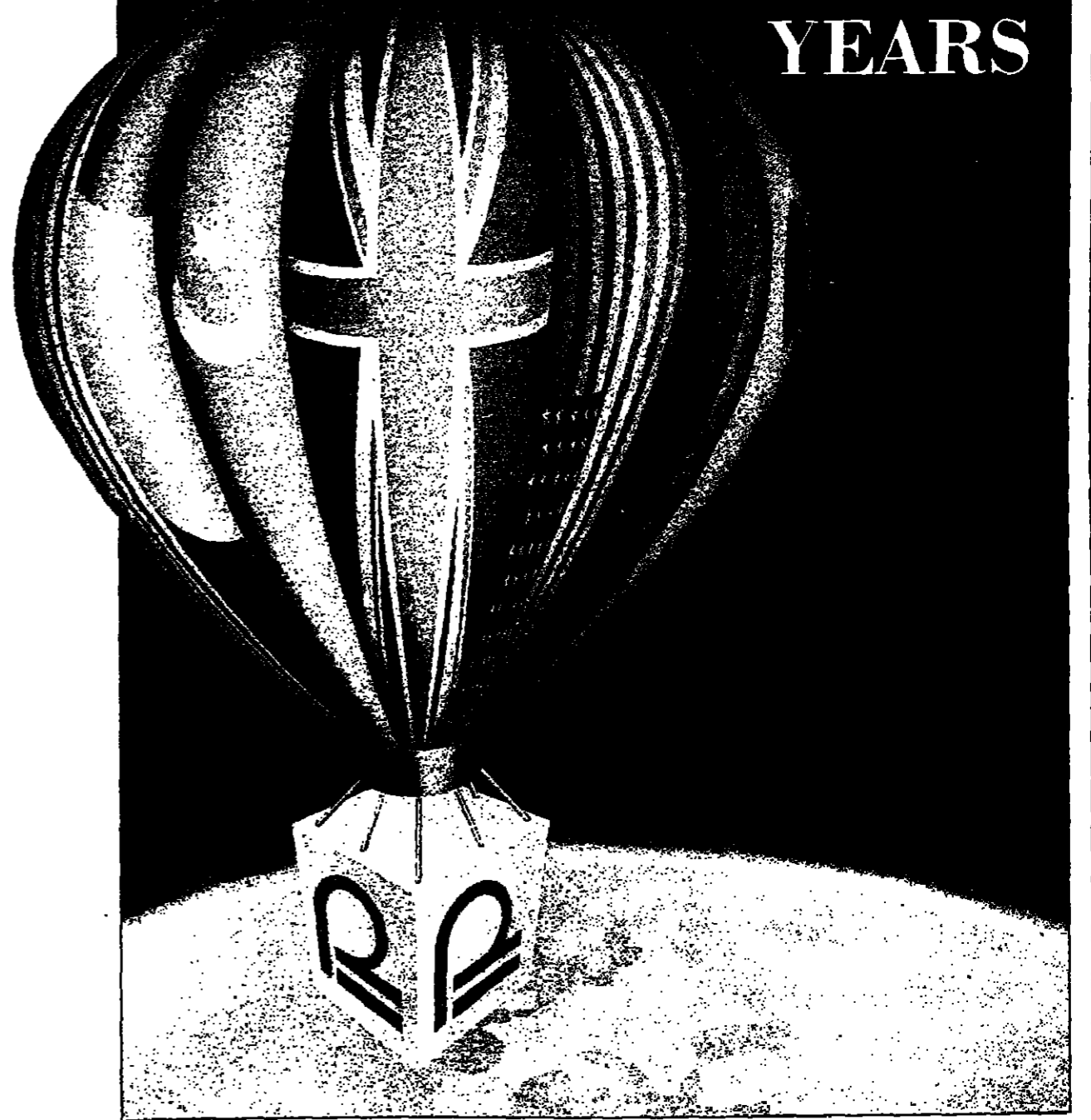
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made a profit of 5.4 billion Turkish liras after tax. Albank has also had a fully owned subsidiary in London since 1983, which was set up with equity of 15 billion TL to provide a flag carrier and export window on international banking business," according to Mr. Sabanci. In 1987 the subsidiary made a 1.9 billion TL profit.

Albank, which has 617 branches and employs a staff of 8,900, handles some 10 percent of Turkish deposits. "We want a higher percentage," says Mr. Sabanci, who points to the \$40 million spent on computerizing 160 of its branches recently.

Turkey's growing tourist income is also a target. Albank is participating in two new Hilton Hotel schemes: a 363-room hotel being built in Ankara and a 250-room establishment planned for Mersin.

The bank is part of a group rated 174th in Fortune magazine's 1986 list of international corporations. The group has the country's largest cement interests, is second in Turkey only to Unilever in margarine production, is the biggest textiles group in Turkey and largest packaging group in the country as well as the largest polyester fiber producer in the Middle East.

Although Albank's progress is impressive, Mr. Sabanci admits that inflation is still a problem. However, he states, "I am an optimist, because the government will tackle the problem very seriously and make regulatory changes in money market activities."

—A.R.

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longer-term fiscal measures will be needed to reduce the budget deficit to manageable size.

Meanwhile, the bank's directors point out that Turkey's geographic position between the European and Middle Eastern markets provides grounds for long-term optimism. "In the next three to six months we want to watch rather than step on the gas pedal, but we remain cautiously optimistic," they say.

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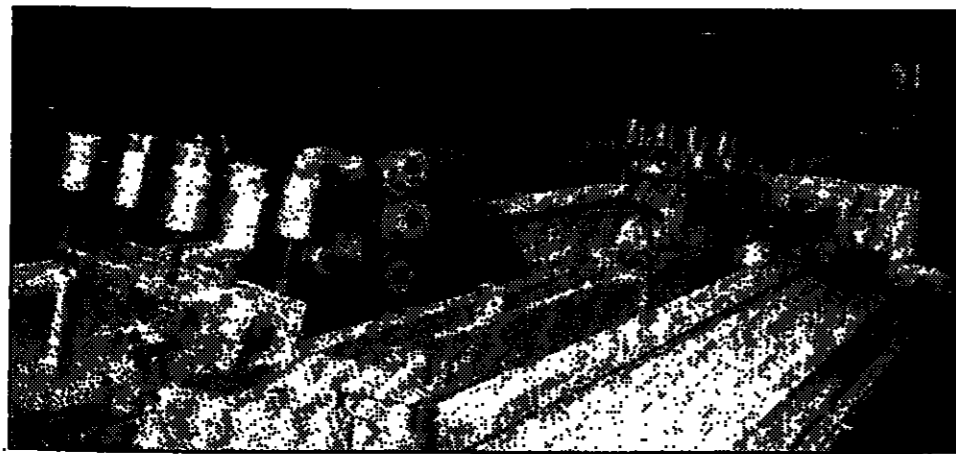
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An Istanbul bed linen factory owned by Mensucat Santral.

## Textiles Firm to Double Production

**T**URKEY's textile and clothing industry is the country's most important industrial activity, accounting for more than \$2 billion in export earnings and one-third of manufacturing employment. In terms of efficiency and productivity, however, performance in this sector is far from uniform.

The main thrust of the export effort comes from Turkey's specialized textile producers. A modern and successful company, Mensucat Santral, typifies the forward-looking medium-scale enterprise that the

Turkish textile industry will be increasingly dependent on for export-led growth in the 1990s.

Owned by the Bezenen family, Mensucat Santral (the name translates as Central Textiles) celebrates its 60th anniversary next year. Today the company concentrates almost entirely on the production of bed linens and interlinings at two plants based in Istanbul and Edirne.

A measure of the company's success is the 24-hour production maintained at both plants, which in 1987 turned out 103 million square meters of cloth, an

increase of 20 percent over the previous year.

Total sales increased 55 percent to \$98 million in 1987, of which exports accounted for \$55 million. Projections for this year envisage production of 123 million square meters of cloth and sales worth \$105 million, some \$90 million of which is expected to come from exports.

Mensucat Santral has a vertically integrated production process which includes spinning of raw cotton, weaving, dyeing, printing, making-up and packaging processes which in textile industries outside Turkey are often separate enterprises. However, executives point out that Mensucat Santral's equipment and processes are at least as modern, if not more so, as those found elsewhere.

There is little doubt that the labor costs prevailing in Turkey's textile industries, ranging between one-sixth and one-ninth of those in Europe, are also a major factor in allowing companies such as Mensucat Santral and others to successfully penetrate overseas markets.

The sharpness of international competition demands much more, though, if export markets are to be sustained. Mensucat Santral's export success is due

to a close monitoring of market needs and production costs and a steady investment in high technology as well as the use of modern management techniques.

Swiss-educated chief executive Halil Bezenen, who has been with the company for 25 years, supports a lean management philosophy, creating "a small and highly motivated management with crystal-clear levels of responsibility."

The company's major export markets at present are in Northern Europe and Canada. In West Germany and the United Kingdom Mensucat Santral claims a five percent share of the market for bed linens. In Canada the company's share of the bed linen market has risen to 25 percent. Market potential also exists in the United States, Far East, Africa and the Middle East.

The company's ambitious investment schedule calls for a doubling of production in the next five years. This is expected to result from the introduction of higher quality products aimed at more upscale markets instead of the medium-price client base that currently characterizes sales.

Emphasis will be placed increasingly on the more complex production of disposable non-woven goods based on synthetic fibers and high-technology-process fabrics. The investment needs are substantial. Mensucat Santral's mainly Swiss and West German equipment is on average less than seven years old. The installation in 1986 of an IBM 38 Model 700 together with associated software represented the largest application of computerization in the Turkish private sector outside the banking community, the company points out.

—A.R.

## Industry Looks Abroad for Increased Growth

**T**URKISH industry is on the move. Its diverse products, ranging from textiles and washing machines to buses and petrochemicals, have found markets throughout Europe and the Middle East in recent years.

Industry is now at the forefront of Turkey's ambitious export drive, reflected in the increasing share of industrial products in foreign sales from 35 percent in 1980 to 80 percent last year.

Turkey makes an estimated 2,500 products, including chemicals, pharmaceuticals, iron and steel, cement, glassware, ceramics, paper, vehicles, fertilizers and electronics as well as textiles, the largest and most important sector.

The textile and clothing industry in Turkey accounts for one-third of employment, and its export earnings total more than \$2 billion a year. It is a sector in transition, having had to reassess its priorities following the imposition of quotas on Turkish products by the European Community in 1985.

The quota shock has, however, accelerated modernization of the industry. The move has been away from traditional bulk-produced spun goods to higher value-added products based on artificial fibers and new production processes.

While textiles continue to be key exports for the Turkish economy, other industries are also being encouraged. One-quarter of the country's overseas sales

are food products. Substantial surpluses, particularly of citrus fruits, have led some to call Turkey a sleeping giant in terms of its food processing agribusiness potential.

Turkey's motor industry is another sector with plenty of room for growth. It is estimated that there is still

san, a joint venture with Mercedes-Benz, selling more than 20 percent of its buses to Middle East countries.

Light industry is an area ripe for takeoff. It is hoped that the planned new free zone at Izmir will help draw more high-technology producers to Turkey. Meanwhile, the country's massive telecommunications development program is providing substantial work for the digital electronic exchange manufacturers Teletas and NETAS.

In the future, telecommunications may well provide an opportunity for the development of locally de-

thinking for years, has been abandoned and replaced by a policy of export-oriented development.

This has often meant uncomfortable new policies, in subsidies, customs duties and import regulations, which previously cosseted local industry. However, the result has been a stronger industrial base as well as management attitudes geared to compete in world markets. During the last three years, industry has shown its ability to adapt by achieving an annual growth rate of 8.5 percent.

Denationalization has been another key feature of the ruling Motherland Party's program for structural change. Attention is focusing on Turkey's state economic enterprises (SEEs), which were set up in the early days of the republic as a means of fulfilling Atatürk's dream of industrial self-sufficiency.

Protected by successive administrations, the SEEs had become unwieldy by the 1980s, overstuffed and unable to adapt to the new emphasis on export growth. Considerable changes have been effected to improve their industrial performance. Still, the public sector's role is due to decrease steadily as the government's privatization program takes hold.

According to Minister of State Yusuf Bozkurt, "We have aimed at a sound manufacturing sector viable within a competitive environment. That is why private capital is being actively encouraged and supported to invest in the manufacturing sector with a comprehensive package of incentives, while the state's share in manufacturing is being gradually reduced through disinvestment and privatization efforts."

—A.R.



Products such as textiles and ceramics (left) represent the traditional side of Turkish industry. Its potential in agribusiness, light industry and high tech have yet to be fully exploited.

"The state's share in manufacturing is being gradually reduced."

only one car per 60 people in Turkey, compared to one per nine and one per 14 in Greece and Bulgaria respectively. There is also growth potential in production of specialized vehicles like tractors and trucks. Exports already exist in some parts of the sector with Otomar-

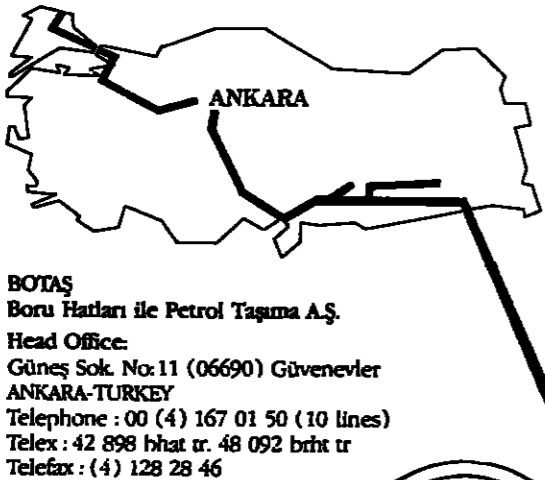
signed equipment to act as a spur in research and production design in other high-technology sectors.

In the last three years the whole of Turkish industry has been undergoing a deep structural change. The concept of import substitution, which dominated

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BOTAŞ has recently announced that the tenders will soon be released for the construction of a LNG Terminal which will augment the importation of U.S.S.R. Gas by Algerian Gas. The Terminal will gasify LNG for injection into the natural gas transmission system near Marmara Ereğlisi.



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مكازم الأصيل

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# Oil Still the Focus For Energy Needs

**I**N recent years discussion in Turkey on energy matters has tended to be dominated by plans for development of hydroelectric resources, thermal power and potential nuclear programs. However, it is still oil that, whether domestic or foreign, still provides some 40 percent of the country's energy needs.

Determined attempts continue to be made to increase production of oil in Turkey, which presently accounts for 13 percent of domestic needs. While oil was first discovered in southeastern Turkey in 1950, the relatively small size of fields has tended to limit international interest. Sustained exploration required a national effort.

At the heart of national development plans is the state-owned Turkish Petroleum Corporation (TPAO), whose share of domestic production in 1987 was 51 percent, followed by Shell, which has been operating in Turkey since 1925, with 38 percent and Mobil with 11 percent. In 1987 TPAO was aiming for a 25 percent

increase in production from 26,000 barrels a day.

As a vertically integrated concern, TPAO operates in every part of Turkey's petroleum sector through its pipeline subsidiary BOTAS, its marine transport company DITAS, its distribution company PETROL OFISI and its refining subsidiary TUPRAS.

TPAO plays a key role in Turkey's refining industry. The corporation's total refining capacity increased to 33.1 million metric tons a year in 1987. Its five complexes include Batman, which opened in 1956 as the country's first modern refinery, Atas (Mersin), Izmir, Orta Anadolu and Iz-



Ozer Altan, chairman, Turkish Petroleum Corporation.

man to Doryol (494 kilometers), Adiyaman to Saril (82 kilometers), Sarikik to Piriçlik (41 kilometers), Selmo to Batman (42 kilometers) and the cross-border 980-kilometer pipeline from Kirkuk in northern

Since the price drop, oil exploration has been a priority.

mit, which boasts the largest dock-loading and unloading facilities in the eastern Mediterranean.

TPAO also has a strategic role as an operator of major pipelines. These include domestic lines from Bar-

Iraq to Turkey. Another pipeline is under construction to bring Soviet natural gas from the Bulgarian border to Istanbul and Ankara. A second pipeline is due to be completed from Kirkuk, while discussions continue

on construction of a 1,900-kilometer conduit from Iran's southern Khuzestan province to Iskenderun in Turkey. A pipeline to bring natural gas from Qatar is another project under consideration, says TPAO chairman and general manager Ozer Altan.

Despite relatively modest progress since world oil prices fell in 1986, oil exploration remains a priority for TPAO. The maintenance of a steady program could pay increasing dividends in the 1990s when, as widely predicted by oil analysts, prices will begin to climb, making Turkey's smaller fields increasingly attractive for exploitation.

But Mr. Altan has no illusions, stating candidly: "Turkey is an oil-dependent country, and according to the latest forecasts will remain so in absolute terms through the year 2000."

Nevertheless, TPAO estimates the country's oil reserves at 10 billion barrels, and is actively seeking foreign partners to explore and jointly develop the licensing areas it holds. The investment environment is considered to be very favorable. Legislation passed in 1983 permits foreign companies to export up to 35 percent of any onshore petroleum they discover and up to 45 percent of oil discovered offshore.

—A.R.

# Free Zones Underscore Export Trade

**T**URKEY's outward-looking economic policy, which has seen exports increase from \$3 billion to more than \$10 billion between 1980 and 1987, is underlined by the country's extensive development of free-trade zones.

A total of four are planned. Those at Mersin and Antalya are already partially operational, occupying areas of 765,000 and 573,000 square meters respectively. Upon completion of the others at Adana/Yumurtalik and Izmir/Gaziemir, Turkey will have four major free-trade zones located at key transit points in the Mediterranean basin.

Yalcin Alaybeyoglu, director of the free-zones authority, says it is strongly hoped that successful operation of the zones will provide additional impetus for more rapid growth of foreign trade.

Mr. Alaybeyoglu points out that the zones are close to the main markets of Europe, the Middle East and Eastern Europe, while companies operating in the zones also have easy access to Turkish markets. On the other side of the Mediterranean, Turkey's zones are

competing to some extent with a dozen others, as well as with areas in Greece and Cyprus. So what does Turkey have to offer the investor?

Quality infrastructure and reliable modern telecommunications are among the factors cited, while the cost of land, at some \$2 per square meter a year, is very low. The cost of labor—an average of \$70 a month for an unskilled worker—is attractive to investors. And the cost of utilities and port charges are also said to be lower than those of most Mediterranean countries.

As special sites outside Turkish customs territory, the free zones are exempt from all kinds of taxes. Here companies can store, exhibit, manufacture, assemble and test as well as process goods for trade outside Turkey.

The zone at Adana/Yumurtalik is likely to become the biggest free zone in the Mediterranean and Europe. In its first development phase, industrial and port facilities are due to be constructed on a 600-hectare site. Within 10 years it is envisaged that 100,000 jobs will be created within the zone. The development itself is expected to



Yalcin Alaybeyoglu, director, Free Trade Zones.

be the subject of a build-operate-transfer arrangement. The U.S. company Bechtel, which completed a feasibility study on the Adana zone two years ago, is planning to form a joint venture with foreign and Turkish participants to develop and operate the zone.

Adana/Yumurtalik, on the northern coast of Iskenderun Bay, is considered to have wide-ranging potential, particularly for the increased output of agricultural produce expected to result from power generation and irrigation projects currently under way in southeast Anatolia.

Adana's free-trade zone,

it is argued, could provide the site for vegetable oil, poultry, and food-processing projects as well as canning, dairy production and cold storage. The potential of Middle Eastern markets, as much as those in Europe, is also encouraging the zone's planners to look at future demand for transit trade as the warring Gulf countries seek to rebuild their economies once the hostilities are over.

A different emphasis is being sought in the development of the Izmir-Gaziemir free-trade zone, for which a feasibility study was carried out by the Shannon Free Airport Development Company. The main purpose of the Izmir zone is to attract high-technology industry to Turkey.

Expropriation of land at a site 15 kilometers from Izmir and close to the city's new airport has begun. It is expected to take between five and eight years for the 2-million-square-meter zone to be developed. Its ultimate impact on Turkey's Aegean area will be considerable, with 36,000 jobs created by industries generating projected gross value exports of \$900 million a year.

—A.R.

# A Telecom Revolution

**T**HERE is little doubt that without its prodigious investment in telecommunications in the last four years, Turkey's considerable economic progress would not have been so rapidly achieved.

The country's multi-billion-dollar investment program is well on the way to achieving its target of establishing a communications network on a par with those of other major industrialized countries. Many of the goals of the 10-year development program due to end in 1994 have already been realized.

Turkey's 36,000 rural communities are now connected to telephone services. All exchanges of more than 30 lines are automated, while in the major cities, particularly Istanbul and Ankara, waiting lists for telephone installations

going back as far as 15 years have been eliminated.

By 1990 half the country's network is expected to be based on digital technology, which in turn will hasten the introduction of advanced services such as packet switching, high-speed data links and the steady buildup of Integrated Services Digital Network (ISDN) technology.

The situation is vastly improved compared to the chaos of just a few years ago. The telecommunications revolution in Turkey has also stimulated the development of local industries, producing advanced digital switching exchange equipment.

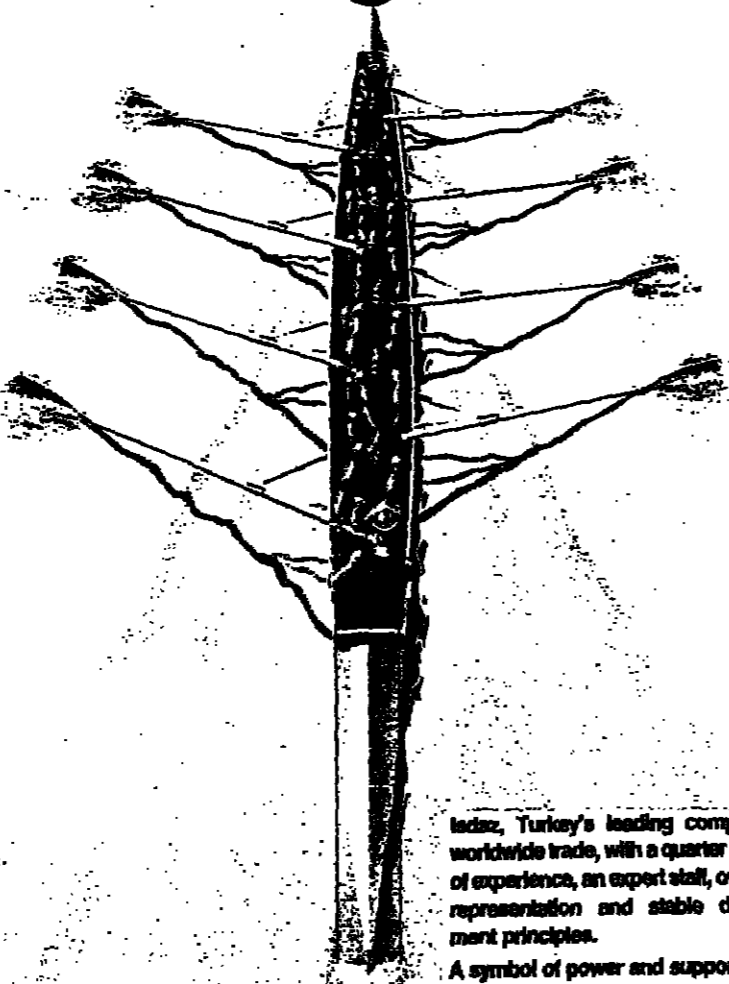
NETAS, in which the Canadian company Northern Telecom has a 31 percent interest, produces the latter's DMS digital switches in volume for the Turkish PTT at a plant near Istanbul.

Similarly, Teleras, which recently underwent partial privatization, manufactures System 12 digital exchanges. Belgium's Bell Telephone, a former ITT subsidiary which provided the technology, has a 39 percent stake in Teleras, which is also located outside Istanbul.

Turkey's 55 million people provide a solid customer base for the country's fast-developing telecommunications industry. The application of ISDN services and other facilities, particularly in the financial sector, is likely to enhance a now well-established high-technology sector which also shows considerable export potential. The Soviet Union could be a prime candidate whenever it decides to begin modernizing its own telephone system with digital technology.

—A.R.

# Power and Support in Foreign Trade



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Oral's second... tory last Novem... by many busin... as a sign that... w a strong long... ment opportunity... re the election... a green light... eviously undecided... rs," says the... mar. "We can... te the foreign... presence in Tur... ly broadening... ahead. And I can... that those who... change will be... what they find...  
— Thomas Faulkner

# More Flights and Better Hotels Boost Tourism

**T**HE flying time to Turkey from most European capitals is not much more than three hours. This proximity has awakened the international leisure market to the possibilities of this vast country, rich in coastal and inland beauty and legendary for its people's friendliness toward visitors. Surprisingly, Turkey is one of the least developed tourist areas in the Mediterranean and Aegean regions.

Turkey may have been slow to exploit the hard-currency earning potential of its coast and historic

sites, but on the other hand, in spite of its extensive development plans, it has been wise enough to avoid many of the pitfalls experienced by other countries in their accelerated and often uncontrolled expansion of tourism.

One of the factors inhibiting Turkey in the past was the physical limitations of access. For years Istanbul was merely an excursion for visitors spending the main portion of their holiday in Greece. But expansion in international air travel, particularly in the charter operations sector, has changed

the situation dramatically. It is now far easier to travel to Turkey. Foreign airlines have augmented the services of the national carrier Turkish Airlines with daily, rather than weekly, scheduled flights to and from Istanbul. Major carriers also operate directly to Ankara, while Izmir is also beginning to be featured on international schedules.

The country's frustrating shortage of hotel accommodation for business travelers is being steadily overcome. The situation has already vastly improved compared to less than 10 years ago. The improvement will continue with a number of new five-star establishments opening in Istanbul, Ankara and resort areas on the coast over the next 18 months.

In spite of these developments, Turkey still retains the aura of the great cultural crossroads it has been since the dawn of civilization.

The sight of Istanbul, a bustling city of minarets and Islamic domes, bounded by the Sea of Marmara to the west and the Golden Horn to the east, is an indelible one.

In 1968 the only modern international hotel in the city was the newly opened Hilton. But this was when European mass travel was only just beginning. Istanbul's leading hotel until 1968 was the Pera Palas, overlooking the Golden Horn. Still a popular destination with its evocative 19th-century decor, the 96-year-old hotel, now a historic landmark, was originally built by Thomas Cook to accommodate Orient Express passengers.

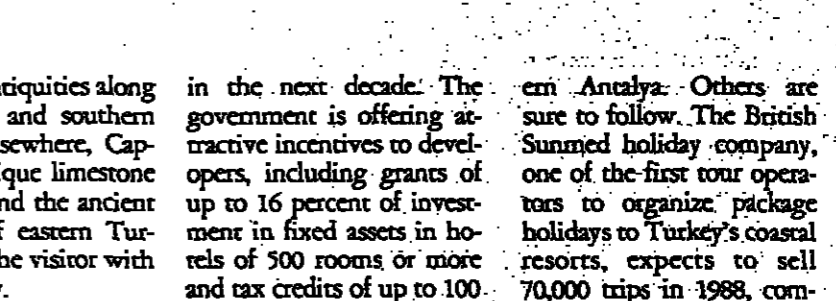
Near the Pera Palas is one of the newcomers, the

202-room Etap Istanbul. The 459-room Sheraton Hotel and Towers was only the second major international hotel to open here. Now eight years old, it is a highly successful venture with an occupancy rate that has never fallen below 75 percent.

There is still room in Istanbul for more five-star hotels to accommodate holiday traffic, business visitors and the needs of the burgeoning international conference and convention market. Sheraton is currently looking into developing a second hotel in Istanbul on the Bosphorus. Meanwhile, Ramada has joined the ranks of international operators with its 250-room hotel near the Laleli Mosque in the old part of the city, opened last August.

Many other developments are marking Istanbul's move into the European travel network. The work is not all large-scale: a formerly decayed mansion between St. Sophia and the Blue Mosque has been splendidly restored to its former glory by the Turkish Touring and Automobile Association and re-

Topkapi Palace (below); the "petrified cascades" of Pamukkale (right); and Tarabya Bay (lower right).



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## Accommodations for the business traveler are steadily improving.

opened as the 20-room Yesil Ev hotel.

New five-star Hilton and Sheraton hotels are also planned for Ankara, whose only deluxe establishment at present is the Buyuk Hotel, which operates at almost 100 percent occupancy throughout the week.

Beyond the major cities

lies the still largely untapped potential of a superb coastline unpolluted by industrial and urban development and some of the finest and most extensive archaeological sites in the

world. Turkey's Hellenistic remains are arguably superior to those found in Greece itself.

The superbly preserved and restored site of Ephesus on the Aegean coast, which became the Roman capital of Anatolia, is one of the seven archaeological Wonders of the Ancient World. It is one of many Roman

and Greek antiquities along the western and southern shoreline. Elsewhere, Cappadocia's unique limestone formations and the ancient sculptures of eastern Turkey beckon the visitor with their mystery.

Naturally, there is some fear that a substantial increase in foreign visitors will have a deleterious effect on traditional society and that ecological balances may be disturbed. However, the planned increase in Turkish tourists, which numbered some 2.5 million in 1987, seems modest when seen against Greece's six million visitors a year and the 40 million that travel to Spain annually.

Tourism earned Turkey \$1.3 billion last year and the aim is to increase this amount to \$5 billion a year

in the next decade. The government is offering attractive incentives to developers, including grants of up to 16 percent of investment in fixed assets in hotels of 500 rooms or more and tax credits of up to 100 percent of the entire investment cost.

One of the larger projects nearing completion is a Sheraton development at Antalya. The hotel, which is being jointly developed with Polly Peck's leisure subsidiary Voyager Mediterranean, will represent the largest and most luxurious resort hotel on the Turkish Riviera with its 1,050 rooms in three wings.

Club Mediterranée, the German-Swiss Club Robinson and the Belgian-Turkish Club Salima are already well-established in south-

ern Antalya. Others are sure to follow. The British Sunmed holiday company, one of the first tour operators to organize package holidays to Turkey's coastal resorts, expects to sell 70,000 trips in 1988, compared to 45,000 last year.

Its managing director, Vic Fatah, says: "Turkey is like the Greece of 10 years ago. It appeals because there is a touch of the exotic and unknown, as well as sunshine." Turkey in fact offers much more. It is exotic and sophisticated enough to satisfy both the sun seeker and the more erudite tastes of travelers seeking the experience of a country born of ancient civilizations overlapping both Europe and Asia.

—A.R.

# Discover a New Wealth in Turkey with TPAO

Modern Turkey, which contains the northern regions of historical "Mesopotamia", is an ideal place for oil exploration. Indeed, prospects, from the geological point of view, are not any less encouraging. Turkey is located in the northern regions of the Middle East oil belt. It is like a tranquil island in the region, where the most liberal economic market conditions exist. It enjoys a very healthy and expanding economy with one of the highest rates of economic growth among the nations of the world.

Its up-to-date telecommunications network links Turkey via satellites with every corner of this planet. Transportation facilities are similar to any other western country. However, such a promising geological setup has been tested, on the average, by 14 exploration wells per annum since the beginning of oil exploration in the 1930's. Taking into account the fact that Turkey is the largest country in Europe with the exception of the U.S.S.R., calling Turkey an essentially "unexplored country" would not be far from the truth.

Center of this setting is Turkish Petroleum Corporation, the largest state economic enterprise, with a tradition of more than half a century. Turkish Petroleum Corporation (TPAO) employs over 5,000 staff in its exploration, drilling, produc-



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tion, and management divisions. It owns 34 rigs, of which over 25 are operational at any given time, in licenses covering millions of acres of Turkey's most promising areas for petroleum exploration. TPAO, producing from over 300 oil wells is the biggest producer in Turkey including its international competitors. Its experts are ready to assist you in any field from exploration to production whether you may be a partner of TPAO or an independent in Turkey. Its "graduates" are today employed in every corner of the world from Indonesia to Canada, from Saudi Arabia to Norway. TPAO offers even more to companies which may wish to operate in the region from a comfortable and stable base. TPAO has just been authorized to engage in exploration, production and drilling activities in other countries either independently or as partners in joint ventures with foreign companies. Considering that Turkey enjoys excellent relations with ALL countries in the Middle East the prospects are apparent. Presently, there are more than a dozen prominent oil companies actively engaged in petroleum exploration in Turkey. About half of them are the top shots of the oil industry, which have joint ventures with TPAO. Why don't you share in their wisdom and grasp this opportunity?

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BUSINESS/FINANCE

MONDAY, APRIL 25, 1988

EUROBONDS

Are Midi's Convertibles An Outrageous Giveaway?

By CARL GEWIRTZ International Herald Tribune PARIS — Compagnie du Midi, the French insurance group at the center of the latest takeover rumors on the Paris Bourse, took center stage in the Eurobond market last week with two bonds convertible into common stock.

The controversy focused on whether the bonds were an outrageous giveaway to select friends of the company. The dispute about the pricing is probably the most important element. That is what makes the paper appealing, and what makes dealers frustrated at not being able to get any.

Midi's motivation in selling the bonds is no secret. It does not want to be taken over by Assicurazioni Generali SpA of Italy, which has a 13.6 percent stake and has indicated in the past that it might seek control.

Generali denied last week that it was seeking control. A Midi spokesman said the issues were intended, apart from raising capital to finance future growth, to place shares with long-term investors willing to "go along with management."

This raises the prospect that the bonds will not be generally available and are being offered only to investors identified as friendly to the company.

But officials at the lead manager, Swiss Bank Corp., reject market comment that the issues are really private placements. The terms on Midi's bonds are notable because they go against market custom. The standard procedure on convertibles is to set an exercise price to buy the stock at a premium to the prevailing stock exchange quote.

The premium varies widely, usually in a range of 10 to 30 percent. But in Midi's issues, the exercise price was set at a discount. The 10-year issue — \$275 million (\$522 million) of 3 percent bonds and 350 million European currency units of 2 1/2 percent bonds carry identical conversion terms.

After 30 days, the face value of the bonds can be exchanged for shares at a price of 1,510 francs (\$265). After two years the conversion price rises to 1,800 francs.

The bonds are being issued at a price of 108 percent of face value, meaning investors pay \$1,080 to buy paper with a face value of \$1,000. This raises the actual starting conversion price to 1,630.80 francs.

BUT the share price on Paris Bourse, driven up by the frenzy of the takeover rumors, ended the week at 1,790 francs. Assuming the stock price does not fall, the convertible bonds give an immediate 94 percent gain for anyone buying the bonds at the offering terms, converting into stock and then selling the shares. That explains why dealers are panting to get their hands on the paper.

Swiss Bank Corp. officials say this is not quite the giveaway that the market assumes. The bank takes the view that what goes up sharply in price can also fall.

The share price has been extremely volatile — rising from 1,133 francs at the opening of the year to a high of 1,801 last week as Generali built up its holding in Midi and as Paribas increased its own stake to about 5 percent.

As a result, Swiss Bank Corp. used the average price of the last 20 trading days, a frequent pricing standard, as a fairer measure of the value of the shares than the last quoted price. That 20-day average was 1,350 francs, and the conversion price of 1,630 francs represented a premium of 20.7 percent.

The amount being raised is large — the equivalent of \$1 billion, or 5.7 billion francs — and some incentive is needed to mobilize investors. The potential share increase represents a 20 percent dilution of existing stockholders.

A moot point for the market is whether Swiss Bank Corp. is simply doing its utmost to be fair or whether it is really tilting in favor of selected bond buyers.

The French stock exchange commission acknowledged an embarrassed silence about the bond offerings. An official noted that Midi had obtained stockholder approval to issue the new stock and therefore was free to do so at the terms it desired. In addition, the official said, the commission has no jurisdiction outside France over issues floated in the international market.

Nevertheless, the official said the commission did object to an initial proposal to turn the bonds into a kind of "poison pill" anti-takeover device. He said Midi had wanted to set an additional premium redemption price on the bonds if the company was ever taken over.

The final form of the terms give holders the right to request redemption, after five years, at the offering price of 108 percent. This option to put the paper back to the issuer is a common feature, limiting the risk to investors of a subsequent fall in the price of the shares.

In addition, the option can be exercised at any time in the event

See BONDS, Page 17

N.Y. Bank Has 46% Of Irving

Hostile Bidder Extends Tender

Compiled by Our Staff From Dispatches NEW YORK — Bank of New York Co. says that it has acquired 46.6 percent of the shares of Irving Bank Corp. and that it has extended its hostile tender offer for five days, until Wednesday.

The announcement Saturday was Bank of New York's latest move to defeat a friendly offer by an Italian bank, Banca Commerciale Italiana, for control of Irving.

The Bank of New York said that as of the close of business on Friday, 7,684,394 Irving shares had been tendered and not withdrawn.

Irving has been fighting Bank of New York's advances since September. Bank of New York is offering 1,575 of its common shares and \$15 in cash for each of Irving's 18.1 million common shares in a merger valued at \$1.08 billion.

Bank of New York has set several conditions on its bid for Irving, including elimination of "poison pill" provisions. Bank of New York is also waging a proxy fight to gain control of Irving's board.

Irving's board has approved an offer by BCI, Italy's second-largest bank, of \$75 cash per share for 8.5 million shares, or 45 percent of Irving, in a transaction valued at \$638 million.

Financial analysts say they see Bank of New York's offer as superior. A Merrill Lynch analyst, Lawrence Cohn, said, "Based on what I have seen so far, Banca Commerciale can't afford to raise the bid or is unwilling to."

On Friday, a New York State Supreme Court judge ordered Irving to convene its annual meeting on Saturday and adjourn it until May 6, when he said votes for the proxy fight would close.

The ruling gives Irving shareholders until May 6 to choose whether to elect a slate of 16 directors proposed by Bank of New York or to vote against those directors, which would have the effect of supporting Banca Commerciale's bid. The judge's ruling slows the attempt by Irving to bring about a heated auction between the suitors.

(Reuters, NYT)

'Circuit Breaker' Turns Off Experts

Even Its Backers See Stock Brake As Weak Device

By James Sterngold New York Times Service NEW YORK — As the stock market went into its chaotic tailspin Oct. 19, the New York Stock Exchange struggled to keep trading open and preserve a bedrock principle: that the exchange provides a marketplace where investors can always buy or sell stocks at fairly determined prices during operating hours.

Protecting that principle of liquidity became a source of great pride for the exchange. Now, though, in a remarkable philosophical shift, the New York Stock Exchange is nearing an agreement with other exchanges and U.S. government officials on a plan that would halt trading in times of stress.

This so-called circuit breaker would shut down the markets temporarily if they swung too widely, with moves of 150 to 300 points on the Dow Jones industrial average being discussed.

Few market experts, however, including most of those devising the circuit breaker, see it as a meaningful tool to prevent a stock market crash. The circuit breaker concept, they say, could prove a counterproductive response to the market flaws exposed by the October crash.

"I think this will scare what few small investors are left away from the market," said Robert S. Karmel, an NYSE board member and former member of the Securities and Exchange Commission.

"Clearly, some people like this because it is a catchy phrase that the public can understand easily," he said. "But the point is that closing the market is an admission of market failure. It is not fixing anything. This is being done because it is the politically expedient thing to do."

At the least, the experts said, the measures may mislead the public into believing that a cure-all has been found, when the industry is far from agreeing on solutions to complex and politically thorny issues that might do more to restore stock market integrity.

Even John J. Phelan Jr., who



Black Monday: Should market ever be brought to a halt?

as chairman of the NYSE is a major participant in the discussions, expressed deep misgivings. "This may have some value in giving everyone a breather, but this is no cure-all," he said. "It's become a very trendy thing to talk about circuit breakers."

He said the proposal resulted largely from a desire by Wall Street and U.S. officials to demonstrate that they had been taking some kind of action to bolster the market system since the crash.

"If you decide to close down markets at 75 points or 100 points or 150 points, you tend to give people the idea that the markets are safe, that there is no risk," Mr. Phelan said. "But they aren't. They are full of risks."

Among the plan's backers is Leo Melamed, a senior official at the Chicago Mercantile Exchange, the key market for trading stock index futures contracts. But even he is lukewarm to the circuit breaker concept, seeing it

only as a step toward meaningful reform.

See MARKET, Page 19

GM Is Dropping Firestone as A Tire Supplier

The Associated Press AKRON, Ohio — General Motors Corp. is dropping Firestone Tire & Rubber Co. as a supplier of tires for new GM cars and trucks, which account for about 20 percent of Firestone's production in the United States, the companies said Sunday.

The unexpected development came as Firestone shareholders are preparing to vote Monday on a \$2.6 billion buyout offer from Bridgestone Corp. of Japan, although Firestone said the GM move would not affect the merger plans.

In agreeing to acquire Firestone, Bridgestone indicated that the merger would help it become a global tire maker. In addition to its production and marketing capacity, the Japanese company cited Firestone's role as an original equipment supplier — Bridgestone's weakest area — to Ford Motor Co. and GM as a rationale for the acquisition.

Firestone said it learned of GM's planned buyout on Friday. There was no immediate comment from Bridgestone.

John J. Nevin, chairman and chief executive of Firestone, said in a statement that he was "surprised and disappointed" by GM's move, but that Firestone was confident it would find other markets for its tires without hurting profits.

GM plans to reduce Firestone's role as a supplier significantly in the second half of this year, and will eliminate the tire maker from its supply base over a period of up to two years, Firestone said.

A GM spokesman, James Crellin, said in a telephone interview from Detroit that the move was part of the automaker's "ongoing supplier-rationalization study" — a periodic review of suppliers' capacity and future needs — and he indicated that it was not linked to the impending buyout by Bridgestone.

"We've got four other tire suppliers: General Tire, Goodyear, Michelin and Uniroyal-Goodrich," Mr. Crellin said. "There are no plans to look for another supplier at this time. We will be informing the other four tire suppliers of the availability of increased business."

Mr. Crellin declined to say how long the phaseout would take, and he said it was GM's policy not to discuss the amount of business it does with any suppliers. GM's biggest tire supplier is Uniroyal-Goodrich, which supplies 34 percent of its tires, according to

See TIRES, Page 19

Lawson Opposes A Further Rise For the Pound

Compiled by Our Staff From Dispatches LONDON — Nigel Lawson, the chancellor of the Exchequer, said on Sunday that he did not want to see a further rise in the value of Britain's pound because recent gains looked unsustainable.

"I certainly do not want to see the exchange rate appreciate further," he said in a television interview with the British Broadcasting Corp. "An unsustainable appreciation does no one any good and is damaging for business and industry."

The pound rose to 3.1600 Deutsche marks before easing slightly on Friday.

Strong overseas demand for the pound is putting pressure on the government to sanction a further cut in bank base interest rates from the current 8 percent level. Britain has cut interest rates twice in recent weeks to try to arrest a rise in the value of the pound that is pinching export receipts.

Until early March, Britain had held the pound below 3 DM for about a year through intervention on currency markets. But sustained intervention is inflationary, and Mr. Lawson noted Sunday, "We are certainly interested in the maximum possibility of exchange rate stability within the context of sound anti-inflation policy."

(Reuters, AP)

U.S., Japan Fail Again To Reach Farm Accord

By Patrick L. Smith International Herald Tribune TOKYO — In a series of talks that ended over the weekend, U.S. and Japanese officials failed to reach agreement on Japanese imports of beef and citrus fruits, bringing the issue to a decisive phase.

Both sides left the bargaining table Saturday saying they were more divided than when the talks began a week earlier.

The failure came further doubt on whether the conflict on agricultural imports, which has emerged as a critical trade issue in the past month, can be resolved without resort to the Geneva-based General Agreement on Tariffs and Trade.

"I'm nervous about this; I don't like the vibrations right now," said Michael B. Smith, deputy U.S. trade representative and head of the U.S. delegation. "From my point of view, we've moved further apart."

The chief Japanese negotiator, Hidetoshi Maki, echoed this assessment. He described the U.S. position on farm imports as consisting of "excessive demands."

Takashi Saito, Japan's agriculture, forestry and fisheries minister, is scheduled to leave Tokyo on Tuesday for what is expected to be a final round of talks in Washington with the U.S. trade representative, Clayton K. Yeutter.

Mr. Saito's previous talks with Mr. Yeutter broke down just before the four-year agreement under which Japan controlled agricultural imports expired March 31.

Prime Minister Noboru Takeshita is to meet Monday with government officials and senior members of his Liberal Democratic Party to decide what compromises Mr. Saito should deliver.

Mr. Saito is expected to propose liberalizing Japan's beef market over a three-year period — a concession of two years — and its market for oranges and orange juice over five years, Japanese newspapers reported Sunday.

This would be contingent, however, on Mr. Yeutter's accepting "a low import surcharge after liberalization," the reports said, quoting government officials who were not identified.

Japanese officials indicated Sunday that they were now seeking a "political solution" to the liberalization issue, meaning one involving senior officials that takes into

See FARM, Page 19

HYPOBANK INTERNATIONAL S.A. HEALTHY GROWTH IN 1987

Private banking activities made a positive contribution to operating income. In addition to the traditional investment opportunities, all the major new instruments such as stock and bond options and futures, etc. were made available for high net-worth private clients.

During its 15th year of operations in Luxembourg, the bank's balance sheet total reached DM 7.52 billion and operating income was up 5%.

A full 75% of the loan portfolio was concentrated in Western Europe, with the largest part accounted for by West Germany. The Bank strengthened its position in interbank money market trading and expanded its overall securities-trading activities.

Highlights of the Balance Sheet for 1987. Assets: Balances with banks 3,541; Balances with customers 3,544; Securities 259; Other financial and capital assets 174. Total Assets 7,518. Liabilities: Deposits and Current accounts 6,920; Capital and reserves 231; Others 367. Total Liabilities 7,518.

HYPOBANK INTERNATIONAL logo and contact information: Luxembourg, Telephone: 4775-1; Telex: 1570.

Currency Rates

Table with columns for Currency, Par \$, and various exchange rates for April 22.

Other Dollar Values

Table with columns for Currency, Par \$, and other dollar values.

Forward Rates

Table with columns for Currency, 30-day, 60-day, 90-day, and 180-day forward rates.

Last Week's Markets

Table with columns for Stock Indices, Money Rates, and other market data for the week ending April 22.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30
Prices may vary according to market conditions and other factors.

April 21

Dollar Straights

Table listing various bond issuers and their prices under the 'Dollar Straights' section, including Australia, Canada, France, and Japan.

Supranational

Table listing various international bond issuers under the 'Supranational' section, including Council Europe, E.C.C.E., and various regional banks.

Scandinavia

Table listing various Scandinavian bond issuers under the 'Scandinavia' section, including Denmark, Finland, and Norway.

Japan

Table listing various Japanese bond issuers under the 'Japan' section, including Bank of Tokyo, Dai-ichi Kangyo Bank, and others.

United Kingdom

Table listing various United Kingdom bond issuers under the 'United Kingdom' section, including B.P. America, British Airways, and others.

Non-European

Table listing various non-European bond issuers under the 'Non-European' section, including Air Canada, American Airlines, and others.

Western Europe (Other)

Table listing various Western European bond issuers under the 'Western Europe (Other)' section, including Austria, Belgium, and others.

Mutual Funds

Large table listing various mutual funds and their performance metrics under the 'Mutual Funds' section.

Asia

Table listing various Asian bond issuers under the 'Asia' section, including Bank of China, Industrial Bank of Japan, and others.

DM Straights

Table listing various German Mark (DM) straight bond issuers under the 'DM Straights' section, including A.B.D., A.G. C.F. In, and others.

DM Zero Coupons

Table listing various German Mark (DM) zero-coupon bond issuers under the 'DM Zero Coupons' section.

DM Straights

Table listing various German Mark (DM) straight bond issuers under the 'DM Straights' section, including Austria, Belgium, and others.

DM Zero Coupons

Table listing various German Mark (DM) zero-coupon bond issuers under the 'DM Zero Coupons' section.

ECU Straights

Table listing various ECU straight bond issuers under the 'ECU Straights' section, including Austria, Belgium, and others.

DM Zero Coupons

Table listing various German Mark (DM) zero-coupon bond issuers under the 'DM Zero Coupons' section.

Wall Street Review section featuring NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, and AMEX Diaries.

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Luxembourg: WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte
Hong Kong: Westdeutsche Landesbank, BA Tower, 36th Floor, 12 Harcourt Road.



New International Bond Issues

Compiled by Laurence Desvillettes

April 22

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Belgium Raising a Loan At Extremely Low Rate

By Carl Gewirtz

PARIS — Belgium, banking on the rarity of its name in the international credit market, is raising a \$400 million loan at terms most likely to be the lowest ever seen.

The borrower is Société Nationale de Crédit à l'Industrie, a financial arm of the state with a government guarantee. The five-year loan, to be used to repay existing Swiss franc debt, will pay interest of 10 basis points, or 0.1 percent, over the London interbank offered rate.

BONDS: Midi's Pricing

(Continued from first finance page) of a merger into or with any other company if Midi is not the surviving concern.

As the terms are widely viewed as a giveaway by the company, dealers are furious about their inability to date to get any paper and complain that private placements should be labeled as such.

Final allotments were scheduled to go to banks over the last weekend and trading, which has been held up by the uncertainty about who would be receiving the bonds, is to start on Monday.

riskier because banks never want to be seen paying more than a competitor had paid. In addition, private placements are not traded, avoiding the embarrassment of having an FRN trade at a price below that of other banks.

Currently in the public market, Gulf Canada is seeking \$325 million. This will be a revolving credit for the first three years and a term loan for the final five years.

Bank of America, which is arranging the loan, said a group of lenders not yet fixed would be offering investors one-, three- or six-month Gulf Canada notes.

Euromarts At a Glance

Table showing Eurobond Yields and Weekly Sales with columns for Country, Maturity, Yield, and Sales figures.

Libor Rates

Table showing Libor Rates for various currencies (U.S., Deutsche Mark, French Franc, SFR) and maturities (1-month, 3-month, 6-month).

Treasury Bonds

Table showing Treasury Bonds with columns for Maturity, Bid, Ask, Yield, and Price.

U.S. Consumer Rates

Table showing U.S. Consumer Rates for Treasury Bonds, Money Market Funds, and Bank Money Market Accounts.

Tandy's Promise to Fulfill CD Dream Baffles Experts

Los Angeles Times Service

LOS ANGELES — It started with the dream of a compact disk that could be erased and re-recorded with music, video or computer data hundreds or even thousands of times.

On Thursday, Tandy Corp. promised that dream would become a reality, saying that within two years it would sell an audio compact disk recorder-player retailing for less than \$500.

The announcement baffled electronics executives, scientists and analysts, who are wondering how Tandy, known primarily for its Radio Shack retail outlets and inexpensive computers, achieved the breakthrough.

Summary Financial Statement as of December 31, 1987

Summary Financial Statement including Balance Sheet, Profit and Loss Account, and Expenditure with columns for Assets, Liabilities, Revenue, and various financial metrics.

Compagnie Luxembourgeoise de la Dresdner Bank AG

UBAF advertisement with logo and text: UNION DE BANQUES ARABES ET FRANÇAISES. Branches: Bahrain, Osaka, Seoul, Singapore, Tokyo.

Main items of the Consolidated Balance Sheet as at December 31, 1987. Table with columns for ASSETS, LIABILITIES, and TOTAL FOOTINGS in both French Francs and Equivalent US \$.

Michelin's Net Profit Rose 39% Last Year

PARIS — Michelin & Compagnie, the world's second-largest tire maker, has reported that its consolidated net profit rose 38.6 percent in 1987 to 2.65 billion francs (\$467 million).

Sales were 46.9 billion francs last year, Michelin said Friday. Of that, 80 percent came from output of plants outside France or from exports.

BSL BUSINESS SCHOOL LAUSANNE SATURDAY M. B. A. advertisement.

Balfour, Maclaine International (U.K.) Ltd. advertisement.

Galizing

ORK — Last Monday before the New York stock market was closed by an influenza epidemic, a group of 100 business people gathered at the Waldorf-Astoria Hotel in New York.

the war against drugs... a new drug... the war against drugs... a new drug...

the war against drugs... a new drug... the war against drugs... a new drug...

the war against drugs... a new drug... the war against drugs... a new drug...

the war against drugs... a new drug... the war against drugs... a new drug...

Kuwait Investment Agency Buys 7.4% of Brazil Fund

WASHINGTON — An investment arm of the Kuwaiti government has purchased a 7.4 percent holding in Brazil Fund Inc., a single-country closed-end investment fund.

# NASDAQ National Market

OTC Consolidated trading for week ended Friday, April 22

Selling in					Buying in					Selling in					Buying in				
100s	High	Low	Close	Chng	100s	High	Low	Close	Chng	100s	High	Low	Close	Chng	100s	High	Low	Close	Chng
AAWBd	100	100	100																
AAWBd	100	100	100																
AAWBd	100	100	100																

(Continued on next page)

مكتبة الأصيل

Chicago Exchange Options

Table with multiple columns showing option prices for various stocks and commodities. Includes sub-headers for 'Option & price', 'Calls', and 'Puts'.

GM Will Cut Plants to Match Lower Market Share

By John Holusha
New York Times Service
DETROIT — General Motors Corp., which has traditionally been the most optimistic of American automakers, is lowering its sights to cope with the competitive squeeze expected in the early 1990s.

OPEC: Talks With Nonmembers

(Continued from Page 1)
accord on production touched off a rally in spot prices from about \$14 a barrel in early March for North Sea Brent crude to \$17 a barrel.

TIRES: GM Dropping Firestone

(Continued from first finance page)
Firestone agreed in March to be acquired by Bridgestone for \$80 a share after it became the target of an unsolicited offer by Pirelli SpA of Italy.

2 Cable Concerns

NEW YORK — Comcast Corp. and Tele-Communications Inc. will purchase SCI Holdings Inc. for \$1.55 billion, the companies announced Sunday.

FARM: U.S., Japan Still Disagree

(Continued from first finance page)
Washington was unsatisfied with the length of the transition period Japan proposed, the amount of access offered and the issue of "border measures," or new tariffs and surcharges that Japan would levy on farm products once other restrictions were lifted.

MARKET: Experts See 'Circuit Breaker' Trading Halt as a Weak Device

(Continued from first finance page)
The SEC also issued a major study of the crash that jolted many with its descriptions of the influence stock index futures contracts exert over the stock market.

NASDAQ National Market

Table showing NASDAQ National Market data, including sub-headers for 'Selling in 100s', 'High', 'Low', 'Close', and 'Net Chg'.

American Exchange Options

Table with multiple columns showing American Exchange Options prices for various stocks and commodities. Includes sub-headers for 'Option & price', 'Calls', and 'Puts'.

Exodus of Pilots Causing Flight Cancellations at Eastern

By Agis Salpukas
New York Times Service
NEW YORK — An accelerating exodus of pilots from Eastern Airlines has caused a severe pilot shortage that is disrupting the carrier's schedules and is causing it to cancel many flights.

Exodus of Pilots Causing Flight Cancellations at Eastern

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New York Times Service
NEW YORK — An accelerating exodus of pilots from Eastern Airlines has caused a severe pilot shortage that is disrupting the carrier's schedules and is causing it to cancel many flights.

Vertical text on the left margin: Debate hukakis, Drug Report, Finance, AIDS, etc.

SPORTS

Oilers, Blues, Devils, Bruins Win in NHL

Compiled by Our Staff From Dispatches
EDMONTON, Alberta — The Edmonton Oilers sent Calgary's Mike Bullard off the ice on a stretcher Saturday night...

STANLEY CUP PLAYOFFS

Friday night, Patrik Sundstrom set an NHL single-game playoff record with eight points as the New Jersey Devils routed the Washington Capitals 10-4...



Patrik Sundstrom of Sweden, left, set an NHL single-game playoff mark of eight points in the Devils' 10-4 rout of the Capitals.

first and last of the Devils' five goals in the second period, before setting up two more by Johnson early in the third period...

The two teams also combined for a playoff-record 62 penalties, 32 by New Jersey, totaling 231 minutes.

Goaltender Rejean Lemelin, a free agent signed last summer after spending his career with the Flames, had several spectacular saves among his 22 stops.

In Boston, Bob Sweeney got a short-handed goal and an assist for the Bruins, who are trying to end an 18-series losing streak against the Canadiens...

SIDELINES

Unbeaten Private Terms Wins at Aqueduct

NEW YORK (Combined Dispatches) — Private Terms ran his record to seven for seven by winning the Wood Memorial Stakes by 1 1/4 lengths Saturday at Aqueduct, covering the 1 1/4 miles (1.79 kilometers) under Chris Antley in 1:47 1/5...

Beck Holds 3-Stroke Lead in USF&G Golf

NEW ORLEANS (AP) — Chip Beck shot a bogey-free, seven-under-par 65 Saturday for a three-stroke lead over Larry Wadkins after three rounds of the USF&G Classic golf tournament.

NCAA Broadens Investigation of Kentucky

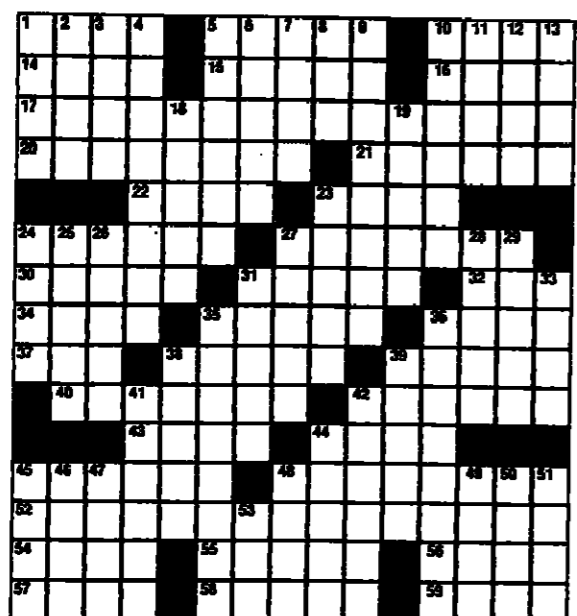
LEXINGTON, Kentucky (AP) — The NCAA now is investigating whether the mother of University of Kentucky basketball recruit Shawn Kemp of Elkhart, Indiana, had her transportation or expenses paid by the school during a campus visit.

For the Record

The America's Cup syndicate of Alan Bond of Australia said it may challenge in court the decision to allow Britain to sail off against New Zealand. Liverpool won a record 17th English League title Saturday, defeating Tottenham, 1-0, in London.

Solution to Friday's Puzzle

ALEPHS BAA ALA
PARROT GONDOLAS
REGINA ASTERISK
NIGHTCAPS
MARG VEH STOATS
OLEIF TET MAI
DESPOIT ROASTERS
HAIRPINTURN
SCALLION ELUDED
TAP EGO AMEER
ELEWIS WAD PREY
ANCHORAGE
KANGAROO RETELL
PRESNELL ENERGY
SEE EWE STRIAE



- ACROSS
1 Leather-workers' tools
4 Gets the point
48 Makes irate
49 Homely
52 S.C. lawmaker
54 Iran's foe
55 Bête
56 Source of mohair
57 Does some planting
58 Break off
59 Partner of odds
21 At a rapid tempo
22 "Let — eat cake"
23 Health resorts
24 Diversifies
27 A basic human need
30 Actress
31 Task
32 Decay
34 Valuable vase
36 Serbs and
38 A fine cotton
37 Wooden pin
38 Uncle Tom's creator
39 — of the crop
40 Recency
42 Calif. raisin center
43 Product from sisal

DENNIS THE MENACE



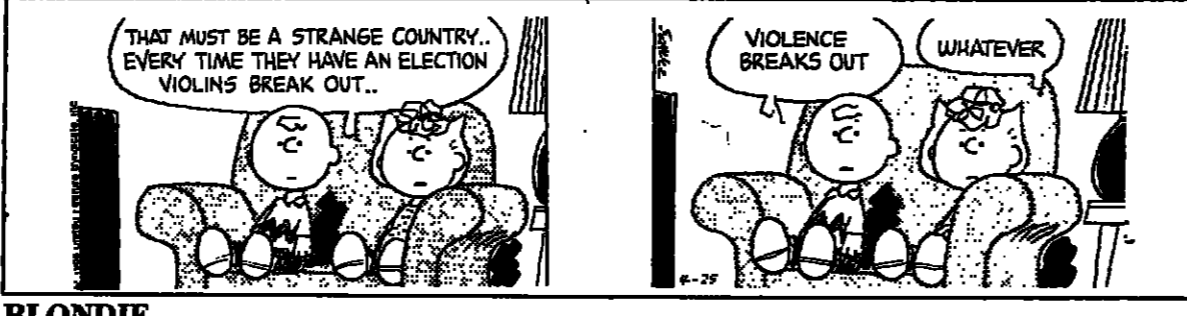
JUMBLE

A word game section with a cartoon of a man at a pizza shop and a list of words to be unscrambled: KOAWE, LAGEE, HYWINN, GROJAN.

WEATHER

A weather forecast table with columns for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania, listing high and low temperatures for various cities.

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Amsterdam stock prices came under slight pressure last week, partly as a result of disappointing U.S. trade figures.

Frankfurt

Trading on the Frankfurt Stock Exchange was listless, and the Commerzbank index closed Friday at 1,377.4, off 8.9 points for the week.

Hong Kong

The Hang Seng Index dropped 7.60 points in a week of see-saw but moderate trading on the Hong Kong Stock Exchange.

London

The London Stock Exchange had another irregular week, finishing on a weak note. The Financial Times-Stock Exchange index of 100 stocks touched the 1,800-point barrier.

Milan

Milan trading was dull last week in the absence of institutional investors and investment funds, analysts said.

Zurich

Zurich stock prices dropped every day in a four-day trading week, and the Credit Suisse index finished at 446.5, down from 455.6.

Tokyo

The Nikkei stock average, the key indicator of the Tokyo Stock Exchange, topped the 27,000-yen mark Saturday for the first time since April 14.

Singapore

Share prices recovered slightly on the Singapore stock market in fairly active trading. The Straits Times Industrial Index advanced more than 11 points Friday.

Paris stock prices gained last week despite uncertainties relating to the presidential election. The CAC index finished Friday at 308.0, up from 296.8 the previous Friday.

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SPORTS

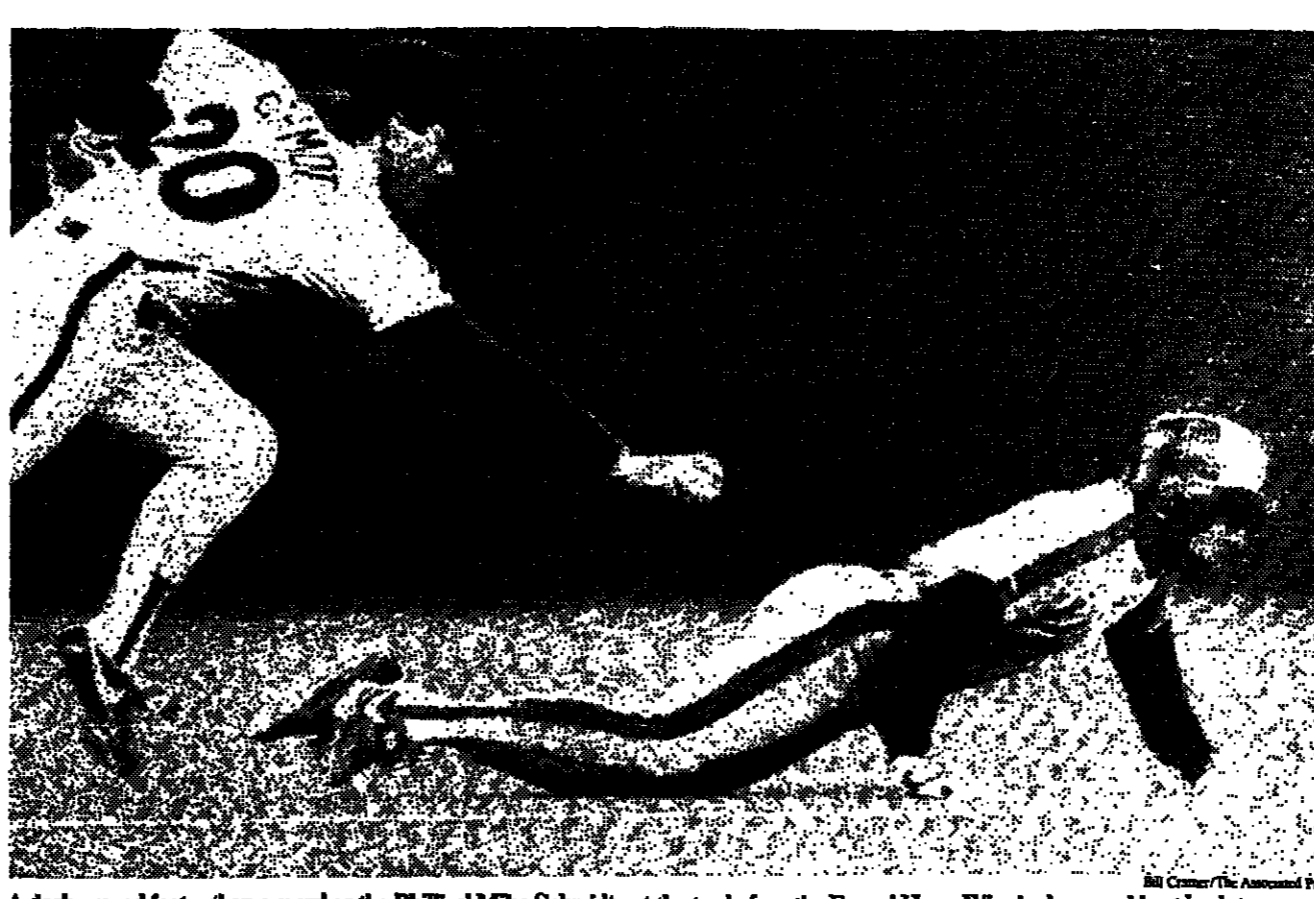
As NFL Draft Starts, Emphasis Is Defense

The Associated Press NEW YORK — After the Atlanta Falcons went through the formal Sunday of naming Auburn defensive end Andy Bruce as the No. 1 selection in the National Football League's college draft, Kansas City Chiefs' defensive lineman Neil Smith of Nebraska...

Seahawks Sign Stouffer The Seattle Seahawks signed newly acquired quarterback Kelly Stouffer Friday and sent future draft picks to the Seattle Seahawks as compensation after safety Kenny Easley was found by doctors to have a degenerated kidney...

U.K. Sets Long Inquiry, IAAF Backs Off Threat

The Associated Press LONDON — The British Amateur Athletic Board announced Sunday a three-man committee of inquiry into runner Zola Budd's eligibility, and the world governing body of track and field, the International Amateur Athletic Federation, said that it had not threatened to bar all British athletes from international competition...



A dash proved faster than a crawl as the Phillies' Mike Schmidt got the tag before the Expos' Herm Wittingham could get back to second.

Knicks, Bullets Get Last Playoff Spots

LANOVER, Maryland — The New York Knicks and the Washington Bullets, on the penultimate night of the National Basketball Association's regular season, gained the last two spots in the playoffs Saturday night. The Bullets, who were ensured a playoff berth when Philadelphia lost to Cleveland, got off to a fast start on the shooting of John Williams and outlasted the Atlanta Hawks...

Orioles Lose 18th As Royals Sweep Kansas City Series

The Associated Press KANSAS CITY, Missouri — The Baltimore Orioles sank to 0-18 on Sunday afternoon and stumbled closer to the worst losing streak in major league history as Bret Saberhagen pitched a six-hitter and the Kansas City Royals won 3-1.

The Orioles' slide is the longest in the majors since the Washington Senators dropped 18 straight in 1959 and the streak tied the Senators for the fifth-longest in American League history. The modern major league mark is 23 set by the Philadelphia Phillies in 1961, and the AL record is 20.

The Orioles outscored 114-34 this season, did not move a runner past second base until Cal Ripken homered with one out in the ninth. The Orioles entered the day as the poorest-hitting team in the major leagues, hitting .199 overall and .118 with runners in scoring position.

Saberhagen, 2-2, finished for the first time in five starts, striking out four batters. The Royals completed their second three-game sweep against the Orioles this season. Kansas City had lost five straight, which was the second-longest losing streak in the majors, before the Baltimore series began.

Smokers Go Wild

PITTSBURGH — Mike LaValle's two-run single in the eighth inning Saturday beat the Chicago Cubs, 5-4, and gave the Pittsburgh Pirates their second consecutive come-from-behind victory. With the Cubs leading, 4-3, and Rich Gossage pitching, Andy Van Slyke singled, Bobby Bonilla walked and Sid Bream sacrificed. R.J. Reynolds was intentionally walked to load the bases, bringing LaValle in. The Pirates, trailing by a 2-2 pitch to left-center, knocking in the winning run.

SATURDAY BASEBALL

hanson, a pitcher who made his first start of the season. The effort failed in the ninth inning. Bo Jackson hit a one-out triple off the right-field fence against Doug Sisk. Thad Bosley, a pinch-hitter, was intentionally walked and Stillwell singled up the middle on the first pitch to him.

EL UPDATE

For the second straight game in the series, a player's bat was confiscated. The Mets asked the umpires to take Vince Coleman's bat when he came up in the fourth. Coleman had homered in the second.

Pirates Rally 2d Straight Game, Beat Cubs by 5-4

With the Cubs leading, 4-3, and Rich Gossage pitching, Andy Van Slyke singled, Bobby Bonilla walked and Sid Bream sacrificed. R.J. Reynolds was intentionally walked to load the bases, bringing LaValle in. The Pirates, trailing by a 2-2 pitch to left-center, knocking in the winning run.

SCOREBOARD

Table with columns for Football, Hockey, Basketball, and Baseball. Includes NFL Draft results, NHL Playoffs, NBA Standings, and Friday's and Saturday's Major League Line Scores.

Transition

Table listing various sports teams and their transitions, including American League, National League, and International League.

European Soccer

Table listing European soccer leagues and their first divisions, including Italian, Spanish, and English.

Major League Standings

Table showing Major League Standings for the American League and National League, including East and West divisions.

Tennis

Table listing tennis tournaments and winners, including the Men's and Women's tournaments.

